NOTE

This Microfiche meets the quality requirements of the American National Standard for Microfiche of Documents (ANSI PH5.9-1975). However, because of imperfections in the document from which it was made, it contains images that are illegible or difficult to read. The source document for this microfiche is the best copy that could be obtained prior to filming.

Congressional Information Service, Inc.
4520 East-West Highway
Bethesda, Maryland 20814

CIS

102d Congress
1st Session
HOUSE OF REPRESENTATIVES
Report
102–185

UNEMPLOYMENT INSURANCE REFORM ACT OF 1991

August 2, 1991.—Committed to the Committee on the Whole House on the State of the Union and ordered to be printed

Mr. Rostenkowski, from the Committee on Ways and Means, submitted the following

REPORT

together with

MINORITY VIEWS

[To accompany H.R. 3040]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 3040) to provide a program of Federal supplemental compensation, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended to pass.

The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) Short Title.—This Act may be cited as the "Unemployment Insurance Reform Act of 1991".

(b) Table of Contents.—

Sec. 1. Short title; table of contents.

TITLE I—FEDERAL SUPPLEMENTAL COMPENSATION PROGRAM

Subtitle A—Establishment of Program

Sec. 101. Federal-State agreements.
Sec. 102. Federal supplemental compensation account.
Sec. 103. Supplemental benefit periods.
Sec. 104. Payments to States having agreements for the payment of Federal supplemental compensation.
Sec. 105. Definitions; special rules.
Sec. 106. Fraud and overpayments.

Subtitle B—Repeal of Extended Program

Sec. 111. Repeal of extended unemployment compensation program.

H783-10

TITLE II—MODIFICATIONS TO ELIGIBILITY PROVISIONS

Sec. 201. Limitation on disqualifications under State law.
Sec. 202. Payments of unemployment compensation to former members of the armed forces.
Sec. 203. Optional benefits for certain school employees.
Sec. 204. Treatment of certain determinations.
Sec. 205. Promotion of retraining of long-term unemployment compensation recipients.
Sec. 206. Treatment of certain youth service program participants.

TITLE III—DEMONSTRATION PROGRAM TO PROVIDE JOB SEARCH ASSISTANCE

Sec. 301. Demonstration program to provide job search assistance.
Sec. 302. Job search assistance program.
Sec. 303. Administrative provisions.

TITLE IV—FINANCING REFORMS

Sec. 401. Transfer of income taxes on unemployment benefits to Unemployment Trust Fund.
Sec. 402. Modifications to Federal unemployment accounts.
Sec. 403. Report on method of allocating administrative funds among States.
Sec. 404. Advisory Council on Unemployment Compensation.

TITLE V—BUDGET COMPLIANCE PROVISIONS

Sec. 501. Cost estimate.
Sec. 502. Treatment under pay-as-you-go procedures.
Sec. 503. Exemption of Federal supplemental compensation from sequestration.

TITLE I—FEDERAL SUPPLEMENTAL COMPENSATION PROGRAM

Subtitle A—Establishment of Program

SEC. 101. FEDERAL-STATE AGREEMENTS.

(a) General Rule.—Any State which desires to do so may enter into and participate in an agreement with the Secretary under this subtitle. Any State which is party to an agreement under this subtitle may, upon providing 30 days' written notice to the Secretary, terminate such agreement.

(b) Provisions of Agreement.—Any agreement under subsection (a) shall provide that the State agency of the State will make payments of Federal supplemental compensation—

(1) to individuals who—

(A) have exhausted all rights to regular compensation under the State law,

(B) have no rights to compensation with respect to a week under such law or any other State unemployment compensation law or to compensation under any other Federal law (and is not paid or entitled to be paid any additional compensation under any such State or Federal law), and

(C) are not receiving compensation with respect to such week under the unemployment compensation law of Canada,

(2) for any week of unemployment which begins in the individual's period of eligibility.

(c) Exhaustion of Benefits.—For purposes of this subtitle, an individual shall be deemed to have exhausted his rights to regular compensation under a State law—

(1) when no payments of regular compensation can be made under such law because such individual has received all regular compensation available to him based on employment or wages during his base period, or

(2) when his rights to such compensation have terminated by reason of the expiration of the benefit year with respect to which such rights existed.

(d) Weekly Benefit Amount.—For purposes of any agreement under this subtitle—

(1) the amount of the Federal supplemental compensation which shall be payable to any individual for any week of total unemployment shall be equal to the amount of the regular compensation (including dependents' allowances) payable to him during his benefit year under the State law for a week of total unemployment, and

(2) the terms and conditions of the State law which apply to claims for regular compensation and to the payment thereof shall apply to claims for Federal supplemental compensation and the payment thereof; except where inconsistent with the provisions of this subtitle or with the regulations of the Secretary promulgated to carry out this subtitle.

SEC. 102. FEDERAL SUPPLEMENTAL COMPENSATION ACCOUNT.

(a) GENERAL RULE.—

(1) ESTABLISHMENT OF ACCOUNT.—Any agreement under this subtitle with a State shall provide that such State will establish, for each eligible individual who files an application for Federal supplemental compensation, a Federal supplemental compensation account with respect to such individual's benefit year.

(2) LIMITATION ON BENEFIT PAYMENTS.—The amount of Federal supplemental compensation payable to an eligible individual with respect to any benefit year shall not exceed the amount in such individual's account established under this section for such benefit year.

(b) AMOUNT IN ACCOUNT.—

(1) IN GENERAL.—The amount established in any Federal supplemental compensation account shall be equal to the lesser of—

(A) 100 percent of the total amount of regular compensation (including dependents' allowances) payable to the individual with respect to the benefit year (as determined under the State law) on the basis of which he most recently received regular compensation, or

(B) the applicable limit times his average weekly benefit amount for his benefit year.

(2) APPLICABLE LIMIT.—For purposes of this subsection—

In the case of weeks beginning during a:	The applicable limit is:
8-percent period	20
7-percent period	15
6-percent period	10.

(3) SPECIAL RULE.—In determining whether Federal supplemental compensation is payable to any individual for any week, the applicable limit in effect under paragraph (2) for such week shall be taken into account; except that an individual's applicable limit for any week shall in no event be less than the highest applicable limit in effect for any prior week for which Federal supplemental compensation was payable to the individual from the account involved.

(4) DETERMINATION OF PERIODS.—

(A) IN GENERAL.—For purposes of this subsection, the terms "8-percent period", "7-percent period", and "6-percent period" mean, with respect to any State, the period which—

(i) begins with the month after the 1st month for which the applicable trigger is on, and

(ii) ends with the month after the 1st month for which the applicable trigger is off.

(B) APPLICABLE TRIGGER.—In the case of any 8-percent period, 7-percent period, or 6-percent period, as the case may be—

(i) the applicable trigger is on for any month if the rate of total unemployment in the State (seasonally adjusted) for the most recent 3 months for which data are available (as of the close of such month) falls within the applicable range, and

(ii) the applicable trigger is off for any month if the requirements of clause (i) are not satisfied.

(C) APPLICABLE RANGE.—For purposes of this subsection, the applicable range is as follows:

In the case of a:	The applicable range is:
8-percent period	A rate equal to or exceeding 8 percent.
7-percent period	A rate equal to or exceeding 7 percent but less than 8 percent.
6-percent period	A rate equal to or exceeding 6 percent but less than 7 percent.

(5) WEEKLY BENEFIT AMOUNT.—For purposes of this subsection, an individual's weekly benefit amount for any week is the amount of regular compensation (including dependents' allowances) under the State law payable to such individual for such week for total unemployment.

(c) COORDINATION WITH TRADE ACT OF 1974.—

(1) Except as provided in paragraph (2), the maximum amount of Federal supplemental compensation payable to an individual shall not be reduced by reason of any trade readjustment allowance to which the individual was entitled under the Trade Act of 1974.

(2) If an individual received any trade readjustment allowance under the Trade Act of 1974 in respect of any benefit year, the maximum amount of Federal supplemental compensation payable under this subtitle in respect of such benefit year shall be reduced (but not below zero) by the aggregate amount of trade readjustment allowances payable in respect of such benefit year.

SEC. 103. SUPPLEMENTAL BENEFIT PERIODS.

(a) General Rule.—For purposes of this subtitle, in the case of any State, a supplemental benefit period—

(1) shall begin with the month after the 1st month for which there is a State "on" indicator, and

(2) shall end with the month after the 1st month for which there is a State "off" indicator.

(b) Special Rules.—

(1) Minimum period, etc.—In the case of any State—

(A) no supplemental benefit period shall last for a period of less than 3 consecutive months, and

(B) no supplemental benefit period may begin before the 4th month after the close of a prior supplemental benefit period with respect to such State.

In the case of weeks beginning during any extension of a supplemental benefit period under subparagraph (A), 10 shall be treated as the applicable limit for purposes of section 102(b); except that, if such period began by reason of subsection (e), 5 shall be treated as the applicable limit for purposes of section 102(b).

(2) Notification by secretary.—When a determination has been made that a supplemental benefit period is beginning or ending with respect to a State, the Secretary shall cause notice of such determination to be published in the Federal Register.

(3) Transitional rule.—No supplemental benefit period shall begin before the later of—

(A) the month following the month in which this Act is enacted, or

(B) the month following the month in which the agreement under this subtitle is entered into.

(c) Eligibility Period.—For purposes of this subtitle, an individual's eligibility period shall consist of the weeks in his benefit year which begin in a supplemental benefit period and, if his benefit year ends within such supplemental benefit period, any weeks thereafter which begin in such supplemental benefit period. In no event shall an individual's period of eligibility include any weeks after the 26th week after the end of the benefit year for which he exhausted his rights to regular compensation.

(d) State "On" and "Off" Indicators.—For purposes of this section—

(1) "On" indicator.—There is a State "on" indicator for a month if—

(A) for the period consisting of the most recent 3 months for which data are available as of the close of such month, the rate of total unemployment in such State (seasonally adjusted) equals or exceeds 6 percent, and

(B) the rate of total unemployment in such State (seasonally adjusted) for the 3-month period referred to in subparagraph (A) equals or exceeds 120 percent of the average of such rates for the corresponding 3-month periods ending in each of the preceding 2 calendar years.

(2) "Off" indicator.—There is a State "off" indicator for a month if either the requirements of subparagraph (A) or (B) of paragraph (1) are not satisfied.

(e) Temporary National Trigger.—

(1) In general.—For purposes of determining eligibility for Federal supplemental compensation for weeks beginning before October 1, 1992—

(A) if the requirements of paragraph (2) are met for any month—

(i) a State "on" indicator shall be deemed to be in effect in all States for such month, and

(ii) a State "off" indicator shall not be treated as in effect in any State for such month, and

(B) in the case of weeks beginning during any supplemental benefit period which would not have been in effect but for subparagraph (A), 5 shall be treated as the applicable limit for purposes of section 102(b).

(2) National trigger.—The requirements of this paragraph are met for any month if the rate of total unemployment for all States (seasonally adjusted) for the period consisting of the most recent 3 months for which data are available as of the close of such month equals or exceeds 6 percent.

(f) Transitional Rule.—In determining whether there is a State "on" or "off" indicator under this section (or whether there is an applicable trigger under section 102) for any month before the Secretary has established a system for making seasonal adjustments on a State-by-State basis, determinations under subparagraphs (A) and (B) of subsection (d)(1) of this section and under section 102(b)(4)(B) shall be made—

(1) as if such provisions did not include the phrase "(seasonally adjusted)", and

(2) by substituting "6" for "3" each place it appears.

SEC. 104. PAYMENTS TO STATES HAVING AGREEMENTS FOR THE PAYMENT OF FEDERAL SUPPLEMENTAL COMPENSATION.

(a) General Rule.—There shall be paid to each State which has entered into an agreement under this subtitle an amount equal to 100 percent of the Federal supplemental compensation paid to individuals by the State pursuant to such agreement.

(b) Treatment of Reimbursable Compensation.—No payment shall be made to any State under this section in respect of compensation to the extent the State is entitled to reimbursement in respect of such compensation under the provisions of any Federal law other than this subtitle or chapter 85 of title 5, United States Code. A State shall not be entitled to any reimbursement under such chapter 85 in respect of any compensation to the extent the State is entitled to reimbursement under this subtitle in respect of such compensation.

(c) Determination of Amount.—Sums payable to any State by reason of such State having an agreement under this subtitle shall be payable, either in advance or by way of reimbursement (as may be determined by the Secretary), in such amounts as the Secretary estimates the State will be entitled to receive under this subtitle for each calendar month, reduced or increased, as the case may be, by any amount by which the Secretary finds that his estimates for any prior calendar month were greater or less than the amounts which should have been paid to the State. Such estimates may be made on the basis of such method as may be agreed upon by the Secretary and the State agency of the State involved.

(d) Certification.—The Secretary shall from time to time certify to the Secretary of the Treasury for payment to each State the sums payable to such State under this subtitle. The Secretary of the Treasury, prior to audit or settlement by the General Accounting Office, shall make payments to the State in accordance with such certification, by transfers from the supplemental compensation account (as established by section 905 of the Social Security Act) to the account of such State in the Unemployment Trust Fund.

(e) Authorization of Appropriations for Certain Payments.—There are authorized to be appropriated from the general fund of the Treasury, without fiscal year limitation, to the supplemental compensation account such sums as may be necessary to make payments under this section in respect of—

(1) compensation payable under chapter 85 of title 5, United States Code, and

(2) compensation payable on the basis of services to which section 3309(a)(1) of the Internal Revenue Code of 1986 applies.

Amounts appropriated pursuant to the preceding sentence shall not be required to be repaid.

SEC. 105. DEFINITIONS; SPECIAL RULES.

(a) General Rule.—For purposes of this subtitle—

(1) Secretary.—The term "Secretary" means the Secretary of Labor.

(2) Compensation.—The term "compensation" means cash benefits payable to individuals with respect to their unemployment.

(3) Regular compensation.—The term "regular compensation" means compensation payable to an individual under any State unemployment compensation law (including compensation payable pursuant to chapter 85 of title 5, United States Code), other than additional compensation.

(4) Additional compensation.—The term "additional compensation" means compensation payable to exhaustees by reason of conditions of high unemployment or by reason of other special factors.

(5) Benefit year.—The term "benefit year" means the benefit year as defined in the applicable State law.

(6) Base period.—The term "base period" means the base period as determined under applicable State law for the benefit year.

(7) State.—The term "State" includes the District of Columbia, the Commonwealth of Puerto Rico, and the Virgin Islands.

(8) State agency.—The term "State agency" means the agency of the State which administers its State law.

(9) State law.—The term "State law" means the unemployment compensation law of the State, approved by the Secretary under section 3304 of the Internal Revenue Code of 1986.

(10) Week.—The term "week" means a week as defined in the applicable State law.

(11) Rate of total unemployment.—

(A) In general.—Determinations of the rate of total unemployment in any State for any period (and of any seasonal adjustment) shall be made by the Secretary.

(B) Special rules for virgin islands.—

(i) The rate of total unemployment in the Virgin Islands for any period shall be a rate which bears the same ratio to the rate of insured unemployment in the Virgin Islands for such period as—

(I) the rate of total unemployment in all States for such period, bears to

(II) the rate of insured unemployment in all States for such period.

(ii) The provisions of section 103(f) shall apply to the Virgin Islands for all periods whether or not the Secretary has established a system for making seasonal adjustments on a State-by-State basis.

(iii) Determination of the rate of insured unemployment shall be made as provided in the Federal-State Extended Unemployment Compensation Act of 1970 (as in effect before its repeal by subtitle B of this title).

(b) Reachback Provisions.—If any individual exhausted his rights to regular compensation under the State law after December 31, 1990, and before the month following the month in which this Act is enacted (or, if later, the month following the month in which the agreement under this subtitle is entered into), such individual shall be entitled to supplemental compensation under this subtitle in the same manner as if his benefit year ended no earlier than the last day of the first week of such following month.

(c) Coordination With Repealed Extended Program.—If an individual received extended compensation under the Federal-State Extended Unemployment Compensation Act of 1970 (as in effect before its repeal by subtitle B of this title) in respect of any benefit year, the maximum amount of Federal supplemental compensation payable under this subtitle in respect of such benefit year shall be reduced (but not below zero) by the aggregate amount of extended compensation so received.

SEC. 106. FRAUD AND OVERPAYMENTS.

(a)(1) If an individual knowingly has made, or caused to be made by another, a false statement or representation of a material fact, or knowingly has failed, or caused another to fail, to disclose a material fact, and as a result of such false statement or representation or of such nondisclosure such individual has received an amount of Federal supplemental compensation under this subtitle to which he was not entitled, such individual—

(A) shall be ineligible for further Federal supplemental compensation under this subtitle in accordance with the provisions of the applicable State unemployment compensation law relating to fraud in connection with a claim for unemployment compensation, and

(B) shall be subject to prosecution under section 1001 of title 18, United States Code.

(2)(A) In the case of individuals who have received amounts of Federal supplemental compensation under this subtitle to which they were not entitled, the State may require such individuals to repay the amounts of such Federal supplemental compensation to the State agency, except that the State agency may waive such repayment if it determines that—

(i) the payment of such Federal supplemental compensation was without fault on the part of any such individual, and

(ii) such repayment would be contrary to equity and good conscience.

(B) The State agency may recover the amount to be repaid, or any part thereof, by deductions from any Federal supplemental compensation payable to such individual under this subtitle or from any unemployment compensation payable to such individual under any Federal unemployment compensation law administered by the State agency or under any other Federal law administered by the State agency which provides for the payment of any assistance or allowance with respect to any week of unemployment, during the 3-year period after the date such individuals received the payment of the Federal supplemental compensation to which they were not entitled, except that no single deduction may exceed 50 percent of the weekly benefit amount from which such deduction is made.

(C) No repayment may be required, and no deduction may be made, until a determination has been made, notice thereof and an opportunity for a fair hearing has been given to the individual, and the determination has become final.

(3) Any determination by a State agency under paragraph (1) or (2) shall be subject to review in the same manner and to the same extent as determinations under the State unemployment compensation law, and only in such manner and to such extent.

Subtitle B—Repeal of Extended Program

SEC. 111. REPEAL OF EXTENDED UNEMPLOYMENT COMPENSATION PROGRAM.

(a) General Rule.—

(1) The Federal-State Extended Unemployment Compensation Act of 1970 is hereby repealed.

(2) Subsection (a) of section 3304 of the Internal Revenue Code of 1986 is amended by striking paragraph (11) and by redesignating the following paragraphs accordingly.

(3) Subsection (c) of section 3304 of such Code is amended by striking "(including provisions relating to the Federal-State Extended Unemployment Compensation Act of 1970 (or any amendments thereto) as required under subsection (a)(11))".

(b) Amendments to Social Security Act.—

(1) Section 905 of the Social Security Act is amended—

(A) by striking "extended unemployment compensation account" each place it appears and inserting "supplemental compensation account",

(B) by striking "Extended Unemployment Compensation Account" in the heading of such section and inserting "Supplemental Compensation Account",

(C) by striking "extended unemployment compensation account" in the heading of subsection (d) and inserting "supplemental compensation account",

(D) by striking "section 204(e) of the Federal-State Extended Unemployment Compensation Act of 1970" in subsection (c) and inserting "section 104(d) of the Unemployment Insurance Reform Act of 1991", and

(E) by striking "the Federal-State Extended Unemployment Compensation Act of 1970" in subsection (d) and inserting "subtitle A of title I of the Unemployment Insurance Reform Act of 1991".

(2) Sections 901(c)(3)(A), 901(f)(3), 902(a) and (c), and 903(a) of such Act are each amended by striking "extended unemployment compensation account" each place it appears and inserting "supplemental compensation account".

(c) Effective Date.—The amendments made by this section shall apply with respect to weeks of unemployment beginning after the month in which this Act is enacted.

TITLE II—MODIFICATIONS TO ELIGIBILITY PROVISIONS

SEC. 201. LIMITATION ON DISQUALIFICATIONS UNDER STATE LAW.

(a) General Rule.—Paragraph (10) of section 3304(a) of the Internal Revenue Code of 1986 (relating to requirements for approval of State laws) is amended by inserting "(A)" after "(10)", by striking "total", by inserting "and" after the semicolon, and by adding at the end thereof the following new subparagraph:

"(B) compensation shall not be denied to any individual by reason of the circumstances under which such individual separated from employment by any employer unless such separation was such individual's most recent separation from employment;".

(b) Effective Date.—

(1) In general.—Except as provided in paragraph (2), the amendments made by subsection (a) shall take effect on November 1, 1993.

(2) Special rule.—In the case of any State the legislature of which has not been in session for at least 30 calendar days (whether or not successive) between the date of the enactment of this Act and November 1, 1993, the amendments made by subsection (a) shall take effect 30 calendar days after the 1st day on which such legislature is in session on or after November 1, 1993.

SEC. 202. PAYMENTS OF UNEMPLOYMENT COMPENSATION TO FORMER MEMBERS OF THE ARMED FORCES.

(a) Repeal of Certain Limitations.—Subsection (c) of section 8521 of title 5, United States Code, is hereby repealed.

(b) Reduction in Length of Required Active Duty by Reserves.—Paragraph (1) of section 8521(a) of such title 5 is amended by striking "180 days" and inserting "90 days".

(c) Effective Date.—The amendments made by this section shall apply to weeks of unemployment beginning after the date of the enactment of this Act.

SEC. 203. OPTIONAL BENEFITS FOR CERTAIN SCHOOL EMPLOYEES.

(a) In General.—

(1) Subclause (I) of section 3304(a)(6)(A)(ii) of the Internal Revenue Code of 1986 is amended by striking "shall be denied" and inserting "may be denied".

(2) Subparagraph (A) of section 3304(a)(6) of such Code is amended by striking "and" at the end of clauses (iii) and (iv) and by inserting after clause (v) the following new clause:

"(vi) with respect to services described in clause (ii), clauses (iii) and (iv) shall be applied by substituting 'may be denied' for 'shall be denied', and".

(b) Effective Date.—The amendments made by this section shall apply in the case of compensation paid for weeks beginning on or after the date of the enactment of this Act.

SEC. 204. TREATMENT OF CERTAIN DETERMINATIONS.

(a) In General.—Subsection (a) of section 3304 of the Internal Revenue Code of 1986 (as amended by section 111) is amended—

(1) by striking "and" at the end of paragraph (16),

(2) by redesignating paragraph (17) as paragraph (18), and

(3) by inserting after paragraph (16) the following new paragraph:

"(17) no finding of fact or law, judgment, conclusion, or final order made with respect to a claim for unemployment compensation benefits pursuant to the State's unemployment compensation law may be conclusive or binding or used as evidence in any separate or subsequent action or proceeding in another forum, except proceedings under the State's unemployment compensation law, regardless of whether the prior action was between the same or related parties or involved the same facts; and".

(b) Effective Date.—

(1) In general.—Except as provided in paragraph (2), the amendments made by subsection (a) shall take effect on November 1, 1992.

(2) Special rule.—In the case of any State the legislature of which has not been in session for at least 30 calendar days (whether or not successive) between the date of the enactment of this Act and November 1, 1992, the amendments made by subsection (a) shall take effect 30 calendar days after the 1st day on which such legislature is in session on or after November 1, 1992.

SEC. 205. PROMOTION OF RETRAINING OF LONG-TERM UNEMPLOYMENT COMPENSATION RECIPIENTS.

(a) General Rule.—Paragraph (8) of section 3304(a) of the Internal Revenue Code of 1986 (relating to requirements for approval of State laws) is amended to read as follows:

"(8)(A) compensation shall not be denied to any individual for any week because during such week such individual is participating (as defined in regulations issued by the Secretary of Labor) in training with the approval of the State agency (or because of the application, to any week during which such individual is so participating, of State law provisions relating to the availability for work, active search for work, or refusal to accept work), and

"(B) in the case of an individual who has received compensation under the State law for 10 weeks or more during the benefit year, the State agency shall approve any program of training involving—

"(i) classroom training,

"(ii) occupational skill training,

"(iii) basic or remedial education, or

"(iv) literacy or remedial English training,

unless such agency determines, from a preponderance of evidence, that such training would not provide a net social benefit;".

(b) Effective Date.—

(1) In general.—Except as provided in paragraph (2), the amendment made by subsection (a) shall take effect on November 1, 1992.

(2) Special rule.—In the case of any State the legislature of which has not been in session for at least 30 calendar days (whether or not successive) between the date of the enactment of this Act and November 1, 1992, the amendment

made by subsection (a) shall take effect 30 calendar days after the 1st day on which such legislature is in session on or after November 1, 1992.

SEC. 206. TREATMENT OF CERTAIN YOUTH SERVICE PROGRAM PARTICIPANTS.

(a) IN GENERAL.—Subparagraph (A) of section 3304(a)(6) of the Internal Revenue Code of 1986 (as amended by section 203) is amended by striking "and" at the end of clause (v) and by inserting after clause (vi) the following new clause:

"(vii) compensation may be denied to an individual on the basis of services for an organization described in section 501(c)(3) and exempt from tax under section 501(a) as a participant in a youth service program which is operated by such organization and which is designed to foster a commitment to community service and occupational and educational development and does not include any substantial commercial activities, if the remuneration under the program consists solely of—

"(I) amounts established by the program to approximate the transportation, meals, and other miscellaneous expenses incurred by the participant in performing services, or in attending educational classes, pursuant to the program, and

"(II) amounts received on completion of such individual's participation in such program as a cash award or as a scholarship, and".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply in the case of compensation paid for weeks beginning on or after the date of the enactment of this Act.

TITLE III—DEMONSTRATION PROGRAM TO PROVIDE JOB SEARCH ASSISTANCE

SEC. 301. DEMONSTRATION PROGRAM TO PROVIDE JOB SEARCH ASSISTANCE.

(a) GENERAL RULE.—The Secretary of Labor shall carry out a demonstration program under this title for purposes of determining the feasibility of implementing job search assistance programs. To carry out such demonstration program, the Secretary shall enter into agreements with 3 States which—

(1) apply to participate in such program, and

(2) demonstrate to the Secretary that they are capable of implementing the provisions of an agreement under this section.

(b) SELECTION OF STATES.—

(1) IN GENERAL.—In determining whether to enter into an agreement with a State under this section, the Secretary shall take into consideration at least—

(A) the size, geography, and occupational and industrial composition of the State,

(B) the adequacy of State resources to carry out a job search assistance program,

(C) the range and extent of specialized services to be provided by the State to individuals covered by the agreement, and

(D) the design of the evaluation to be applied by the State to the program.

(2) REPLICATION OF PRIOR DEMONSTRATION PROJECT.—At least 1 of the States selected by the Secretary under subsection (a) shall be a State which has operated a successful demonstration project with respect to job search assistance under a contract with the Department of Labor. The demonstration program under this title of any such State shall, at a minimum, replicate the project it operated under such contract in the same geographic areas.

(c) PROVISIONS OF AGREEMENT.—Any agreement entered into with a State under this section shall—

(1) provide that the State will implement a job search assistance program during the 1-year period specified in such agreement,

(2) provide that such implementation will begin not later than the date 1 year after the date of the enactment of this Act,

(3) contain such provisions as may be necessary to ensure an accurate evaluation of the effectiveness of a job search assistance program, including—

(A) random selection of eligible individuals for participation in the program and for inclusion in a control group, and

(B) collection of data on participants and members of a control group as of the close of the 1-year period and 2-year period after the operations of the program cease,

(4) provide that not more than 5 percent of the claimants for unemployment compensation under the State law shall be selected as participants in the job search assistance program, and

(5) contain such other provisions as the Secretary may require.

SEC. 302. JOB SEARCH ASSISTANCE PROGRAM.

(a) General Rule.—For purposes of this title, a job search assistance program shall provide that—

(1) eligible individuals who are selected to participate in the program shall be required to participate in a qualified intensive job search program after receiving compensation under such State law during any benefit year for at least 6 but not more than 10 weeks,

(2) every individual required to participate in a job search program under paragraph (1) shall be entitled to receive an intensive job search program voucher, and

(3) any individual who is required under paragraph (1) to participate in a qualified intensive job search program and who does not satisfactorily participate in such program shall be disqualified from receiving compensation under such State law for the period (of not more than 10 weeks) specified in the agreement under section 301.

(b) Eligible Individual.—For purposes of this title—

(1) In general.—The term "eligible individual" means any individual receiving compensation under the State law during any benefit year if, during the 3-year period ending on the last day of the base period for such benefit year, such individual had at least 126 weeks of employment at wages of $30 or more a week with such individual's last employer in such base period (or, if data with respect to weeks of employment with such last employer are not available, an equivalent amount of employment computed under regulations prescribed by the Secretary).

(2) Exception.—Such term shall not include any individual if—

(A) such individual has a definite date for recall to his former employment,

(B) such individual seeks employment through a union hall or similar arrangement, or

(C) the State agency—

(i) waives the requirements of subsection (a)(1) for good cause shown by such individual, or

(ii) determines that such participation would not be appropriate for such individual.

(c) Qualified Intensive Job Search Program.—For purposes of this section, the term "qualified intensive job search program" means any intensive job search assistance program which—

(1) is approved by the State agency,

(2) is provided by an organization qualified to provide job search assistance programs under any other Federal law, and

(3) includes—

(A) all basic employment services, such as orientation, testing, a job-search workshop, and an individual assessment and counseling interview, and

(B) additional services, such as ongoing contact with the program staff, followup assistance, resource centers, and job search materials and equipment.

(d) Intensive Job Search Voucher.—For purposes of this section, the term "intensive job search voucher" means any voucher which entitles the organization (including the State employment service) providing the qualified intensive job search assistance program to a payment from the State agency equal to the lesser of—

(1) the reasonable costs of providing such program, or

(2) the average weekly benefit amount in the State.

SEC. 303. ADMINISTRATIVE PROVISIONS.

(a) Financing Provisions.—

(1) Payments to states.—There shall be paid to each State which enters into an agreement under section 301 an amount equal to the lesser of the reasonable costs of operating the job search assistance program pursuant to such agreement or the State's average weekly benefit amount for each individual selected to participate in the job search assistance program operated by such State pursuant to such agreement. Funds in the supplemental compensation account (as

established by section 905 of the Social Security Act) shall be used for purposes of making such payments.

(2) PAYMENTS ON CALENDAR MONTH BASIS.—There shall be paid to each State either in advance or by way of reimbursement, as may be determined by the Secretary, such sum as the Secretary estimates the State will be entitled to receive under this subsection for each calendar month, reduced or increased, as the case may be, by any sum by which the Secretary finds that his estimates for any prior calendar month were greater or less than the amounts which should have been paid to the State. Such estimates may be made on the basis of such method as may be agreed upon by the Secretary and the State agency.

(3) CERTIFICATION.—The Secretary shall from time to time certify to the Secretary of the Treasury for payment to each State the sums payable to such State under this subsection. The Secretary of the Treasury, prior to audit or settlement by the General Accounting Office, shall make payment to the State in accordance with such certification, by transfers from the supplemental compensation (as established by section 905 of the Social Security Act) to the account of such State in the Unemployment Trust Fund.

(4) SPECIAL RULE.—Notwithstanding any other provision of law, amounts in the account of a State in the Unemployment Trust Fund may be used for purposes of making payments pursuant to intensive job search vouchers provided pursuant to an agreement under this title.

(b) REPORTS TO CONGRESS.—

(1) INTERIM REPORTS.—The Secretary shall submit 2 interim reports to the Congress on the effectiveness of the demonstration program carried out under this title. The 1st such report shall be submitted before the date 2 years after operations under the demonstration program commenced and the 2d such report shall be submitted before the date 4 years after such commencement.

(2) FINAL REPORT.—Not later than the date 5 years after the commencement referred to in paragraph (1), the Secretary shall submit a final report to the Congress on the demonstration program carried out under this title. Such report shall include estimates of program impact, such as—

(A) changes in duration of unemployment, earnings, and hours worked of participants,

(B) changes in unemployment compensation outlays,

(C) changes in unemployment taxes,

(D) net effect on the Unemployment Trust Fund,

(E) net effect on Federal unified budget deficit, and

(F) net social benefits or costs of the program.

(c) DEFINITIONS.—For purposes of this title, the terms "compensation", "benefit year", "Secretary", "State", "State agency", "State law", "base period", and "week" have the respective meanings given such terms by section 105.

TITLE IV—FINANCING REFORMS

SEC. 401. TRANSFER OF INCOME TAXES ON UNEMPLOYMENT BENEFITS TO UNEMPLOYMENT TRUST FUND.

(a) GENERAL RULE.—Paragraph (1) of section 901(b) of the Social Security Act is amended by striking "an amount equal to" and all that follows through the period at the end thereof and inserting the following: "an amount equal to—

"(A) 100 percent of the tax (including interest, penalties, and additions to the tax) received during the fiscal year under the Federal Unemployment Tax Act (26 U.S.C. 3301 et seq.) and covered into the Treasury, plus

"(B) the aggregate increase in tax liabilities under chapter 1 of the Internal Revenue Code of 1986 which is attributable to the application of section 85 of such Code (relating to taxation of unemployment compensation)."

(b) TRANSFERS BASED ON ESTIMATES OF BENEFIT PAYMENTS.—The 2d sentence of section 901(b)(2) of such Act is amended by inserting before the period at the end thereof the following: "(or, in the amounts referred to in paragraph (1)(B), of the amount of unemployment compensation paid during the month)".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to fiscal years beginning after September 30, 1991.

SEC. 402. MODIFICATIONS TO FEDERAL UNEMPLOYMENT ACCOUNTS.

(a) TREATMENT OF STATES MAINTAINING ADEQUATE BALANCES.—Section 904 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"Increase in Quarterly Credits for States With Adequate Balances

"(h)(1) If a State's high-cost multiple exceeds 0.5 for any calendar quarter, the Secretary of the Treasury shall transfer (as of the close of the succeeding calendar quarter) from the general fund of the Treasury to the account of such State in the Unemployment Trust Fund an amount equal to the applicable percentage of the portion of the earnings of the Fund which are credited under subsection (e) to such account as of the close of such succeeding calendar quarter.

"(2) For purposes of paragraph (1)—

"If the State's high-cost multiple:	The applicable percentage is:
Exceeds 0.5 but does not exceed 1.0	5 percent
Exceeds 1.0 but does not exceed 1.5	10 percent
Exceeds 1.5	15 percent.

"(3)(A) For purposes of this subsection, the high-cost multiple of any State for any calendar quarter is the amount obtained by dividing the fraction set forth in subparagraph (B) by the fraction set forth in subparagraph (C). Such multiple shall be determined by the Secretary of Labor and certified by such Secretary to the Secretary of the Treasury before the close of the calendar quarter following the quarter for which the multiple is being determined.

"(B) For purposes of subparagraph (A), the fraction set forth in this subparagraph with respect to any State for any calendar quarter is a fraction—

"(i) the numerator of which is the account balance of the State as of the close of the quarter determined after any reduction provided in subsection (e) and by taking into account any transfer under this subsection as of the close of such quarter, and

"(ii) the denominator of which is the total amount of wages (determined without regard to any limitation on amount) subject to contributions under the State unemployment compensation law for the most recent 4 calendar quarters for which data are available.

"(C) For purposes of subparagraph (A), the fraction set forth in this subparagraph with respect to any State for any calendar quarter is the following fraction determined for the preceding calendar year for which such fraction is the highest for the State: A fraction—

"(i) the numerator of which is the total amount of compensation paid under the State law during the calendar year, and

"(ii) the denominator of which is the total amount of wages (determined with regard to any limitation on amount) subject to contributions under the State unemployment compensation law for the calendar year."

(b) TRANSFERS TO FEDERAL UNEMPLOYMENT ACCOUNT.—

(1) IN GENERAL.—Section 902 of the Social Security Act is amended—

(A) by redesignating subsections (a) through (c) as subsections (b) through (d), respectively, and

(B) by inserting after the section designation the following new subsection:

"(a)(1) Except as provided in paragraph (2), the Secretary of the Treasury shall transfer (as of the close of October 1992 and each month thereafter), from the employment security administration account to the Federal unemployment account, an amount determined by the Secretary to be equal to 10 percent of the amount by which—

"(A) transfers to the employment security administration account pursuant to section 901(b)(2) during such month, exceed

"(B) payments during such month from the employment security administration account pursuant to subsections (b)(3) and (d) of section 901.

If for any such month the payments referred to in subparagraph (B) exceed the transfers referred to in subparagraph (A), proper adjustments shall be made in the amounts subsequently transferred.

"(2) The Secretary of the Treasury shall make no transfer pursuant to paragraph (1) as of the close of any month if the Secretary determines that the amount in the Federal unemployment account is equal to (or in excess of) the limitation provided in subsection (b)."

(2) REDUCTION OF CEILING.—Paragraph (2) of section 902(b) of such Act, as redesignated by paragraph (1) of this subsection, is amended by striking "five-eighths of 1 percent" and inserting "0.375 percent".

(3) CONFORMING AMENDMENTS.—

(A) Subparagraph (A) of section 901(f)(2) of such Act is amended by striking "902(b)" and inserting "902(c)".

(B) Subsection (c) of section 902 of such Act, as redesignated by paragraph (1) of this subsection, is amended by striking "subsection (a)" and inserting "subsection (b)".

(C) Subsection (d) of section 902 of such Act, as redesignated by paragraph (1) of this subsection, is amended by striking "section 902(a)" and inserting "subsection (b) of this section".

(D) Paragraph (1) of section 903(a) of such Act is amended by striking "902(a)" and inserting "902(b)".

(E) Section 1203 of such Act is amended by striking "902(a)" and inserting "902(b)".

(c) INCREASE IN CEILING ON SUPPLEMENTAL COMPENSATION ACCOUNT.—Subparagraph (B) of section 905(b)(2) of such Act is amended by striking "three-eighths of 1 percent" and inserting "0.625 percent".

(d) BORROWING BETWEEN FEDERAL ACCOUNTS.—Title IX of such Act is amended by adding at the end the following new section:

"BORROWING BETWEEN FEDERAL ACCOUNTS

"SEC. 910. (a) IN GENERAL.—Whenever the Secretary of the Treasury (after consultation with the Secretary of Labor) determines that—

"(1) the amount in the employment security administration account, Federal unemployment account, or supplemental compensation account, is insufficient to meet the anticipated payments from the account during the next 3 months,

"(2) such insufficiency may cause such account to borrow from the general fund of the Treasury, and

"(3) the amount in any other such account exceeds the amount necessary to meet the anticipated payments from such other account during the next 3 months,

the Secretary shall transfer to the account referred to in paragraph (1) from the account referred to paragraph (3) an amount equal to the insufficiency determined under paragraph (1) (or, if less, the excess determined under paragraph (3)).

"(b) TREATMENT OF ADVANCE.—Any amount transferred under subsection (a)—

"(1) shall be treated as a noninterest-bearing repayable advance, and

"(2) shall not be considered in computing the amount in any account for purposes of the application of sections 901(f)(2), 902(c), and 905(b).

"(c) REPAYMENT.—Whenever the Secretary of the Treasury (after consultation with the Secretary of Labor) determines that the amount in the account to which an advance is made under subsection (a) exceeds the amount necessary to meet the anticipated payments from the account during the next 3 months, the Secretary shall transfer from the account to the account from which the advance was made an amount equal to the amount so advanced."

(e) REPEAL OF EXPIRED PROVISIONS.—

(1) Paragraph (2) of section 901(f) of such Act is amended—

(A) by striking "(A) Except as provided in subparagraph (B), the" and inserting "The", and

(B) by striking subparagraph (B).

(2) Section 901 of such Act is amended by striking subsection (g).

(3) Subsection (g) of section 904 is amended by striking all of such subsection that follows the 1st sentence.

(4) Paragraph (1) of section 905(b) of such Act is amended by striking ", in the case of any month before April 1972, to one-fifth, and in the case of any month after March 1972, to one-tenth," and inserting "to 10 percent".

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to fiscal years beginning after September 30, 1992.

SEC. 403. REPORT ON METHOD OF ALLOCATING ADMINISTRATIVE FUNDS AMONG STATES.

(a) IN GENERAL.—The Secretary of Labor shall submit to the Congress, within the 12-month period beginning on the date of the enactment of this Act, a comprehensive report setting forth a proposal for revising the method of allocating grants among the States under section 302 of the Social Security Act.

(b) SPECIFIC REQUIREMENTS.—The report required by subsection (a) shall include an analysis of—

(1) the use of unemployment insurance workload levels as the primary factor in allocating grants among the States under section 302 of the Social Security Act,

(2) ways to ensure that each State receive not less than a minimum grant amount for each fiscal year,

(3) the use of nationally available objective data to determine the unemployment compensation administrative costs of each State, with consideration of legitimate cost differences among the States,

(4) ways to simplify the method of allocating such grants among the States,

(5) ways to eliminate the disincentives to productivity and inefficiency which exist in the current method of allocating such grants among the States,

(6) ways to promote innovation and cost-effective practices in the method of allocating such grants among the States, and

(7) the effect of the proposal set forth in such report on the grant amounts allocated to each State.

(c) CONGRESSIONAL REVIEW PERIOD.—The Secretary of Labor may not revise the method in effect on the date of the enactment of this Act for allocating grants among the States under section 302 of the Social Security Act, until after the expiration of the 12-month period beginning on the date on which the report required by subsection (a) is submitted to the Congress.

SEC. 404. ADVISORY COUNCIL ON UNEMPLOYMENT COMPENSATION.

Section 908 of the Social Security Act is amended to read as follows:

"ADVISORY COUNCIL ON UNEMPLOYMENT COMPENSATION

"SEC. 908. (a) ESTABLISHMENT.—Not later than December 31 of 1991 (and of every 5th year thereafter), the Secretary of Labor shall establish an advisory council to be known as the Advisory Council on Unemployment Compensation (referred to in this section as the 'Council').

"(b) FUNCTION.—It shall be the function of each Council to evaluate the unemployment compensation program, including the countercyclical effectiveness, benefit adequacy, solvency, and administrative efficiency of the program.

"(c) MEMBERS.—

"(1) IN GENERAL.—Each Council shall consist of 17 members as follows:

"(A) The Secretary of Labor, who shall be the chairperson.

"(B) 8 members appointed by the President.

"(C) 8 members appointed by the Congress.

"(2) QUALIFICATIONS.—Of the members appointed under subparagraph (B) or (C)—

"(A) ¼ shall be Members of the Congress,

"(B) ¼ shall be representative of the interests of business,

"(C) ¼ shall be representative of the interests of labor, and

"(D) ¼ shall be representative of the interests of State governments.

"(3) VACANCIES.—A vacancy in any Council shall be filled in the manner in which the original appointment was made.

"(d) STAFF AND OTHER ASSISTANCE.—

"(1) IN GENERAL.—Each Council may engage any technical assistance (including actuarial services) required by the Council to carry out its functions under this section.

"(2) ASSISTANCE FROM SECRETARY OF LABOR.—The Secretary of Labor may provide each Council with any staff, office facilities, and other assistance, and any data prepared by the Department of Labor, required by the Council to carry out its functions under this section.

"(e) COMPENSATION.—Each member of any Council—

"(1) shall be entitled to receive compensation at rates fixed by the Secretary of Labor (but not exceeding $100) for each day (including travel time) during which such member is engaged in the actual performance of duties vested in the Council, and

"(2) while engaged in the performance of such duties away from such member's home or regular place of business, may be allowed travel expenses (including per diem in lieu of subsistence) as authorized by section 5703 of title 5, United States Code, for persons in the Government employed intermittently.

"(f) REPORT.—Not later than October 1 of the year following the year in which any Council is required to be established under subsection (a), the Council shall submit to the Congress a report setting forth the findings and recommendations of the Council as a result of its evaluation of the unemployment compensation program under this section.

"(g) TERMINATION.—Each Council shall cease to exist after the date on which the Council submits its report under subsection (f)."

TITLE V—BUDGET COMPLIANCE PROVISIONS

SEC. 501. COST ESTIMATE.

The applicable cost estimate of this Act for all purposes of sections 252 and 253 of the Balanced Budget and Emergency Deficit Control Act of 1985 shall be as follows:

For fiscal year:	Increase in outlays:	Increase in receipts:
1991	$1,620,000,000	$0
1992	3,975,000,000	0
1993	412,000,000	20,000,000
1994	140,000,000	20,000,000
1995	140,000,000	20,000,000

SEC. 502. TREATMENT UNDER PAY-AS-YOU-GO PROCEDURES.

Notwithstanding section 501—

(1) the provisions of (and amendments made by) this Act shall be treated as provisions designated as emergency requirements by the President and the Congress under section 252(e) of the Balanced Budget and Emergency Deficit Control Act of 1985, and

(2) any amount of new budget authority, outlays, or receipts resulting from the provisions of (and amendments made by) this Act shall not be considered for any purpose under the Balanced Budget and Emergency Deficit Control Act of 1985.

SEC. 503. EXEMPTION OF FEDERAL SUPPLEMENTAL COMPENSATION FROM SEQUESTRATION.

Payments under title I of this Act (relating to Federal supplemental compensation program) shall be exempt from any order issued under part C of the Balanced Budget and Emergency Deficit Control Act of 1985 for fiscal year 1992 or any succeeding fiscal year.

I. Introduction

A. PURPOSE AND SCOPE OF THE BILL

The Committee on Ways and Means completed action on H.R. 3040, the Unemployment Insurance Reform Act of 1991, on July 30, 1991. The purposes of the bill are: (1) to make extensions of benefits to long-term unemployed workers more widely available; (2) to expand eligibility for benefits, particularly for ex-servicemembers; and (3) to test the cost-effectiveness of intensive job search assistance.

Title I repeals the Federal-State Extended Benefits program and replaces it with a new Federal Supplemental Compensation program.

Title II makes a number of changes in eligibility. First, it prohibits States from canceling the benefit rights of certain disqualified workers. Second, it prohibits States from disqualifying a worker who was laid off from his previous job because he quit another job in his base year. Third, it equalizes benefits for ex-servicemembers to the same benefits civilians receive. Fourth, it allows States to pay benefits to non-professional employees of schools between academic years or terms. Fifth, it prohibits States from stopping lawsuits against a former employer by a worker because he has been disqualified from receiving unemployment benefits based on the conditions under which he was separated from that employer. Sixth, it requires States to approve cost-effective training for claimants who have received unemployment benefits for at least 10 weeks. Seventh, it allows States to exclude from coverage certain youth service workers who are enrolled in programs operated by tax-exempt organizations.

Title III authorizes a three State demonstration project to replicate and expand upon recent cost-effective job search demonstration projects completed in several States.

Title IV modifies the flow of Federal unemployment taxes into the federal accounts of the unemployment trust fund to ensure that each account will have sufficient reserves in the future and rewards States who accumulate adequate reserves by paying premium interest rates on relatively higher balances. Also, it requires the Department of Labor to study and recommend changes in the method it uses to allocate administrative grants to States and it establishes an advisory council on Unemployment Compensation.

Title V ensures that the provisions of the bill comply with Congressional budget process procedures so that the bill does not activate a sequestration of other mandatory spending programs.

B. BACKGROUND AND NEED FOR LEGISLATION

During the last economic cycle, the economy reached its peak around June 1990 when the seasonally adjusted civilian unemployment rate bottomed out at 5.3 percent. Since the recession began, the civilian unemployment rate has risen almost steadily to 7.0 percent in June 1991. Today, if the unemployment rate were 5.3 percent again, nearly 2 million more workers would be employed. Total unemployment in June stood at 8.7 million workers, and nearly 1.2 million of these workers have been out of work more than 26 weeks.

The current economic situation is mixed, which has led some economists to speculate the recession has ended or is about to end. The Commerce Department's preliminary estimate of growth in real Gross National Product for the second quarter of 1991 was a positive 0.4 percent after two consecutive quarters of decline. Housing starts jumped by 5.2 percent in June, but durable goods orders were down 1.6 percent. Industrial production increased by 0.7 percent in June, the third consecutive monthly increase. Retail sales fell by 0.2 percent in May after rising by 0.8 percent in April. New claims of State unemployment insurance in the week ended July 13 jumped by 30,000 from 395,000 to 425,000. As of the week ended July 6, the national insured unemployment rate for the state unemployment insurance programs stood at 3.2 percent.

Although the economic news has improved recently, the outlook remains cloudy. The index of leading economic indicators climbed by 0.5 percent in June, which was the fifth consecutive monthly increase. It was reported that in all of the previous eight post-World War II recessions three consecutive increases in the leading indicators foretold the beginning of a recovery. Meanwhile, an index of current economic activity rose 0.2 percent in May, the first increase in eleven months. Yet, consumer confidence rose only slightly in May after falling in the previous two months.

With most of the recent increase in consumer spending financed from consumer savings, it is unclear whether producers can sustain their recent increases in output without substantially rising consumer incomes. As of May, the personal savings rate was only 3.6%

of disposable personal income after approaching 6 percent in early 1989.

The Committee received convincing testimony that the Unemployment Insurance (UI) system is not working as well as it has in the past. First, about one-third fewer workers have been receiving unemployment benefits during this recession compared to the 1970s, severly damaging the system's counter-cyclical effectiveness (See Chart 1). Second, witnesses testified that the Federal-State Extended Benefits (EB) program is nearly dead. Only eight States plus Puerto Rico were activated under this program in the midst of the 1990–1991 recession compared to all States during the brief recession of 1980 (See Chart 2). Presently, only three States plus Puerto Rico are eligible for EB. Third, the Federal government has not as yet enacted a temporary extension of unemployment benefits despite having done so in response to every recession since Harry Truman was President, except the brief 1980 recession when the Extended Benefits program worked effectively (See Chart 3).

CHART 1

Ratio of Insured to Total Unemployment

in the Last Four Recessions

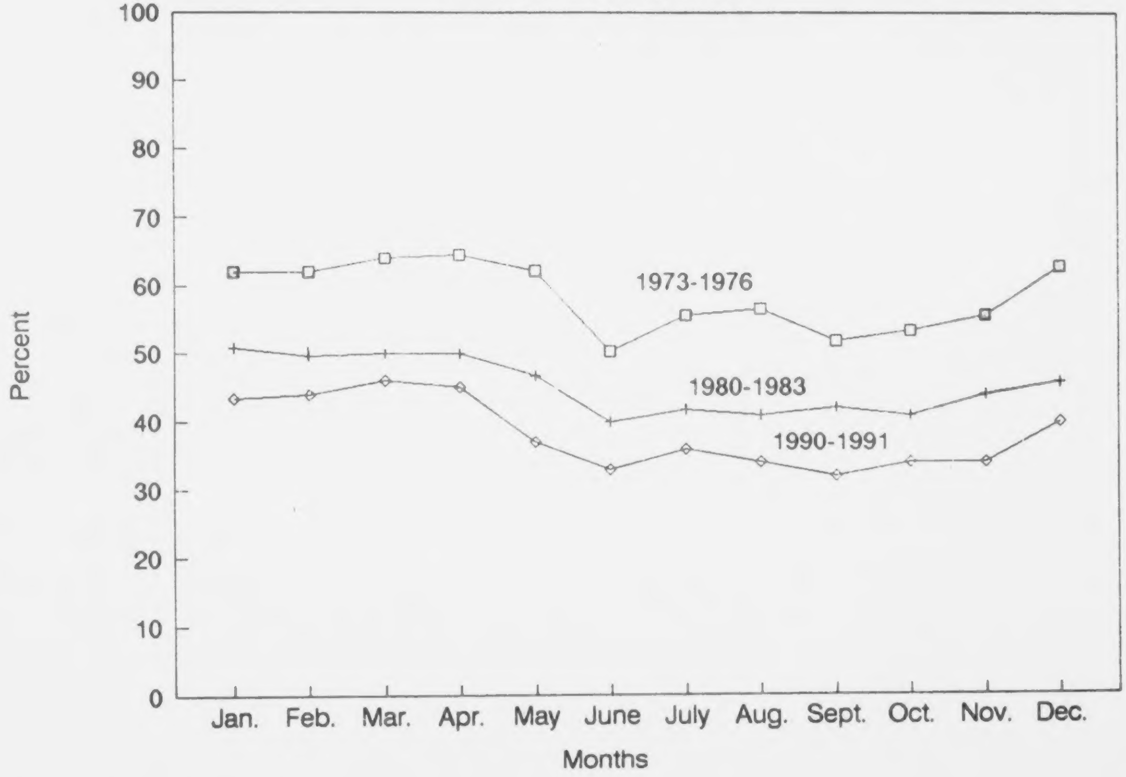
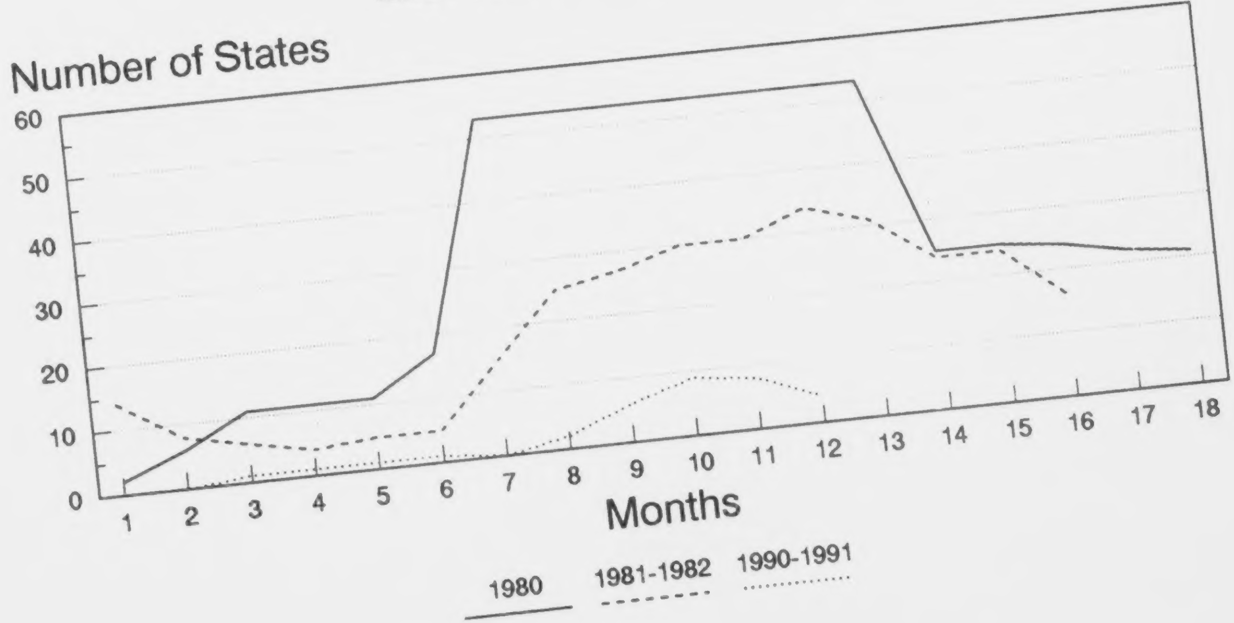


CHART 2

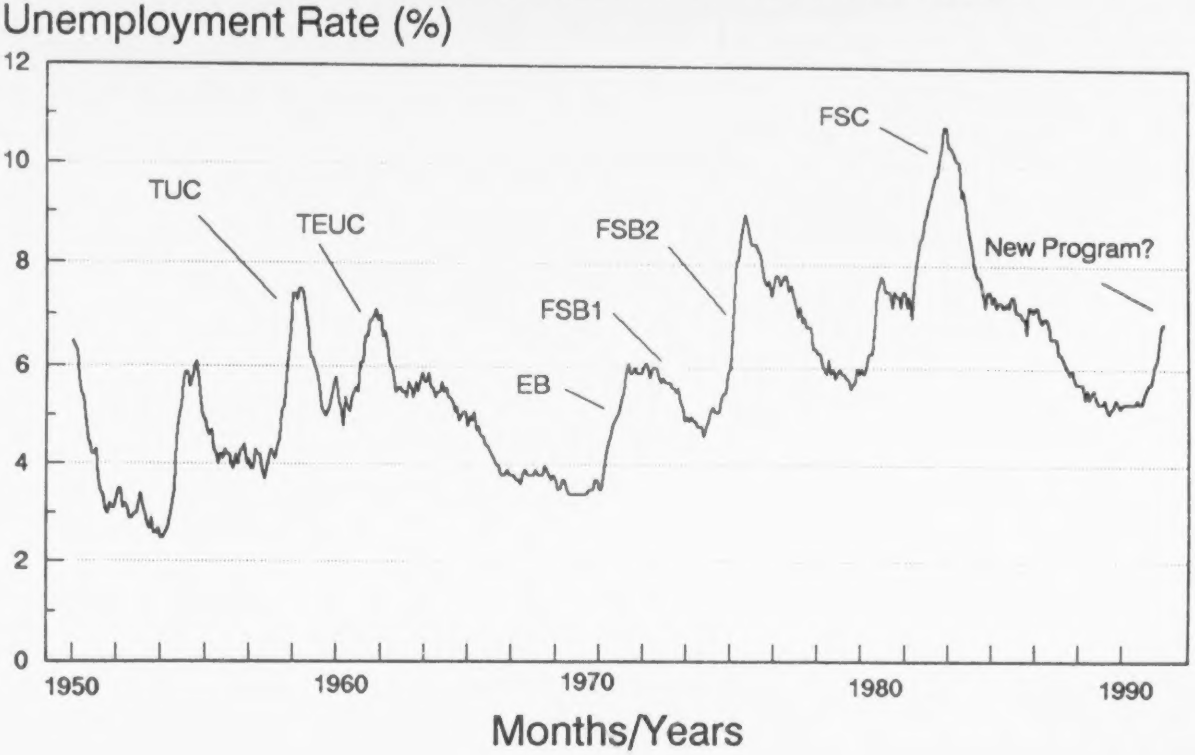
Number of States Activated under the Extended Benefits Program in the Last Three Recessions



1980 Recession Data from 1/80 to 7/81
1981-1982 Recession Data from 7/81 to 11/82
1990-1991 Recession Data from 7/90 to 7/91

CHART 3

Extensions of Unemployment Benefits in Relation to Monthly Unemployment Rates Since 1950



The Unemployment Insurance Reform Act of 1991 aims to deal with many of the problems identified in hearings held by the Committee in 1991. First, the bill would respond to the need for extended benefits for long-term unemployed workers by replacing the Extended Benefits (EB) program with a new Federal Supplemental Compensation (FSC) program paid for entirely with Federal taxes. Second, the bill would restore unemployment benefits to some who have been denied even though they have substantial recent work histories. Third, the bill would restore to ex-military personnel the same 26 weeks of benefits available to civilians. Fourth, the bill would authorize a three-State demonstration project to gather further evidence on the cost-effectiveness of intensive job search services for unemployment insurance claimants. Finally, the bill would designate the provisions of the bill as emergency requirements for all purposes of the Balanced Budget and Emergency Deficit Control Act of 1985.

Currently, only about 5 percent of the nearly 1.2 million workers who have been unemployed longer than 26 weeks receive EB. The new FSC program probably would raise this proportion by about ten-fold to over 600,000 workers. It would do so by providing at least 5 weeks in all States under a temporary National trigger and 10, 15, or 20 weeks in States with high and increased unemployment under the permanent State trigger.

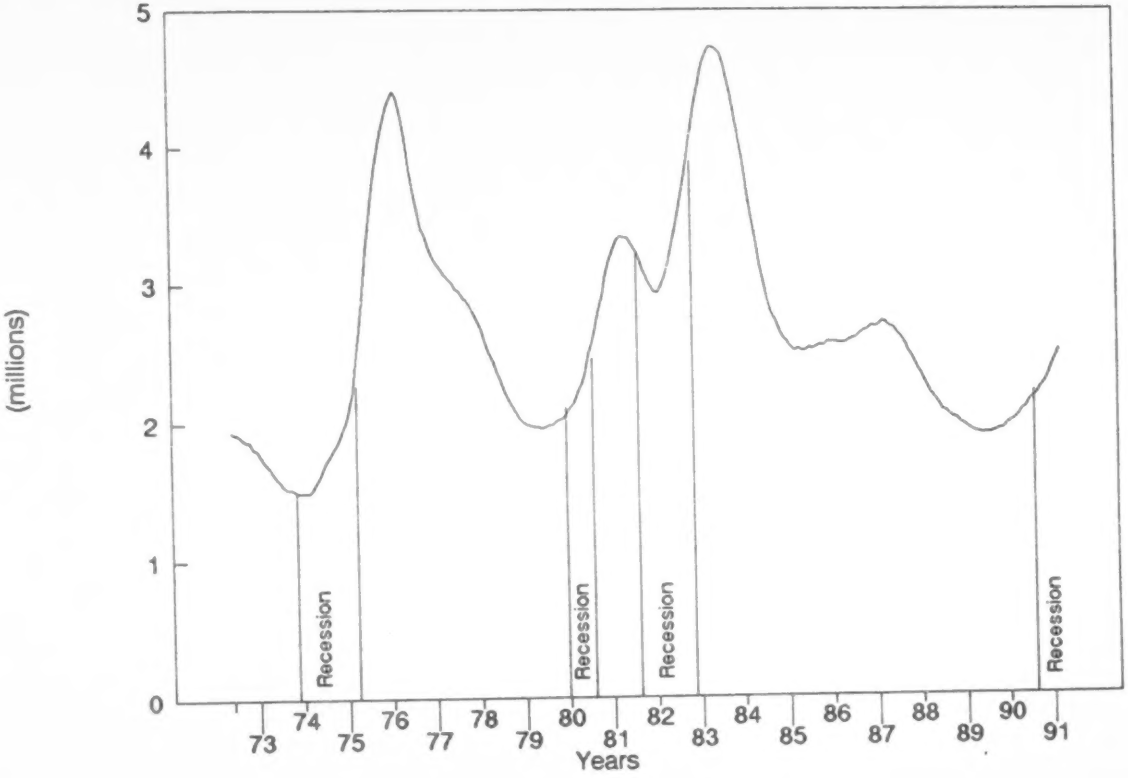
Presently, the EB program is activated using the insured unemployment rate or "IUR," which is the percent obtained by dividing number of unemployed workers eligible for benefits by UI-covered employment. This measure never included workers who had run out of their benefits but were still unemployed. Many economists thought the IUR worked well until the fraction of job losers receiving unemployment insurance dropped well below 100 percent to about 80 percent. Even before that, however, the IUR had the ironic effect of deactivating EB in a State when substantial numbers of workers were running out of benefits, which reduced insured unemployment and therefore, the IUR.

To correct this downward bias, the bill would use the total unemployment rate or "TUR," which is the percent obtained by dividing the number of unemployed workers by the civilian labor force in each State. Although this measure has the disadvantage of including new entrants and reentrants to the labor force and job quitters in the numerator, workers who normally are ineligible for UI, it has the advantage of more accurately measuring labor market conditions faced by long-term unemployed workers in a State. In essence, it is a better proxy measure of the probability that a long-term unemployed worker cannot find another job. If that probability is high, the bill would activate FSC in the State and long-term unemployed UI exhaustees would receive supplemental benefits.

Although some economists have speculated that the recession is about to end or perhaps has ended already, the need for extensions of benefits will be even greater in the ensuing months. It is well known that the rate at which workers run out of benefits only starts to rise about 6 months after a recession begins and continues to rise for about 6 months after a recession is over (See Chart 4). Since the number of workers running out of benefits began to rise only in the past few months, the largest need for extended benefits is likely to occur through the end of this year even if the recession has ended.

CHART 4

Regular State UI Benefit Exhaustions



Some have pointed to an unemployment rate in June of "only" 7.0 percent to suggest that there is little need for an extension of benefits. Yet, testimony before the Committee showed that although the level of the unemployment rate has been lower during the 1990–1991 recession than the last five recessions, the rate of job loss in the 1990–1991 recession has been more severe than the average for the last five recessions. Certainly, the loss of nearly 2 million jobs indicates a serious recession by Post-World War II standards.

The unemployment rate fell from 7.0 percent in June to 6.8 percent in July primarily because 415,000 workers dropped out of the labor force. If these workers had stayed in the labor force and remained unemployed, the unemployment rate would have risen to 7.1 percent.

Despite the seeming good news, employment in the household survey dropped by 172,000. Moreover, average weekly hours worked in the private sector dropped by 0.4 percent.

Looking at the data from the survey of firms, employment fell in all major sectors except manufacturing and retail trade. Employment dropped by 22,000 in construction, 22,000 in services, and 10,000 in government. Overall, net non-farm employment fell by 51,000.

The provisions restoring unemployment insurance to some workers probably would help about 300,000 workers to receive unemployment benefits. One of the most important of these provisions would restore the Ex-Servicemembers' benefits to their pre-1981 levels when ex-military personnel were treated the same as civilians. In addition, the bill would reduce the number of continuous days of service required of activated reservists from 180 to 90 days, which would help some returning veterans of Operation Desert Storm to receive unemployment benefits.

Other provisions are aimed at improving the unemployment insurance system. A quadrennial advisory council would be established to study the system and make recommendations for improvement. The Department of Labor would be required to study the method by which it distributes funds to States for administration of the system and to recommend a new method for distribution of funds. States would be encouraged to build up adequate reserves by payment of premium interest rates on relatively higher reserve levels.

Finally, the bill would designate the provisions of the bill as emergency requirements for all purposes of the Balanced Budget and Emergency Deficit Control Act of 1985.

C. SUMMARY OF PRINCIPAL PROVISIONS

Title I—The Federal Supplemental Compensation Program

Title I of the bill would repeal the Federal-State Extended Benefits (EB) program and establish a new Federal Supplemental Compensation (FSC) program paid for fully by Federal taxes. The FSC program would provide three tiers of weeks of benefits in addition to the normal 26 weeks of benefits available in the States. It would be effective on date of enactment, and it would reach back to provide benefits to workers who had run out of their regular State benefits before the date of enactment, but on or after January 1, 1991. Tables 1 and 2 provides a list of States estimated to be eligible for each tier of benefits if the program had been in effect in July and August respectively.

Tiers of benefits would be 10, 15, and 20 weeks depending on whether a State unemployment rate was at least 6, 7, or 8 percent, respectively, and whether that unemployment rate was at least 120 percent of the average State unemployment rate in the prior two years. However, all States would be eligibile for at least 5 weeks of benefits through fiscal year 1992 as long as the national unemployment rate is at least 6 percent. Anyone exhausting benefits before the date of enactment, but on or after January 1, 1991, would receive the greater of 5 weeks of benefits under the temporary naional trigger or 10, 15, or 20 under the permanent State trigger.

TABLE 1.—FEDERAL SUPPLEMENTAL COMPENSATION NUMBER OF WEEKS STATES WOULD RECEIVE BASED ON DECEMBER 1990 TO MAY 1991 DATA

5 weeks	10 weeks	15 weeks	20 weeks
Alabama	Delaware	California	Maine
Alaska	Florida	District of Columbia	Massachusetts
Arizona	Georgia	New Hampshire	Michigan
Arkansas	Indiana	Pennsylvania	Rhode Island
Colorado	Maryland	Vermont	
Connecticut	Nevada		
Hawaii	New Jersey		
Idaho	New York		
Illinois	South Carolina		
Iowa	Tennessee		
Kansas			
Kentucky			
Louisiana			
Minnesota			
Mississippi			
Missouri			
Montana			
Nebraska			
New Mexico			
North Carolina			
North Dakota			
Ohio			
Oklahoma			
Oregon			
Puerto Rico			
South Dakota			
Texas			
Utah			
Virginia			
Washington			
West Virginia			
Wisconsin			
Wyoming			

Note.—Currently, only Alaska, Maine, Puerto Rico, and Rhode Island get 13 weeks under the Extended Benefits program.

This table uses the most recent 6-month moving average to classify States by the number of weeks they would have received if the bill had been in effect in July. This list would change each month if the bill is enacted. For example, if a State with five weeks experiences an increase in its unemployment rate over the next few months, it could move up to a higher tier.

TABLE 2.—FEDERAL SUPPLEMENTAL COMPENSATION NUMBER OF WEEKS STATES WOULD RECEIVE BASED ON JANUARY 1991 TO JUNE 1991 DATA

5 weeks	10 weeks	15 weeks	20 weeks
Alabama	Indiana	California	Maine
Alaska	Maryland	Delaware	Massachusetts
Arizona	Missouri	District of Columbia	Michigan
Arkansas	Nevada	Florida	Rhode Island
Colorado	New Jersey	New Hampshire	
Connecticut	North Carolina	New York	
Georgia	South Carolina	Pennsylvania	
Hawaii	Tennessee	Vermont	
Idaho			
Illinois			
Iowa			
Kansas			
Kentucky			
Louisiana			
Minnesota			
Mississippi			
Montana			
Nebraska			
New Mexico			
North Dakota			
Ohio			
Oklahoma			
Oregon			
Puerto Rico			
South Dakota			
Texas			
Utah			
Virginia			
Washington			
West Virginia			
Wisconsin			
Wyoming			

Note.—Currently, only Alaska, Maine, Puerto Rico, and Rhode Island get 13 weeks under the Extended Benefits program.

This table uses the most recent 6-month moving average to classify States by the number of weeks they would have received if the bill nad been in effect in August. This list would change each month if the bill is enacted. For example, if a State with five weeks experiences an increase in its unemployment rate over the next few months, it could move up to a higher tier.

Title II—Modifications to eligibility provisions

Title II would restore unemployment insurance eligibility to some workers who have been denied benefits because of various technicalities in State unemployment insurance laws. First, it would prohibit States from canceling any benefit rights if a worker committed a disqualifying act, such as quitting his last job. Second, it would restore to ex-military personnel the same one-week waiting period and regular 26 weeks of benefits civilians receive, and require reservists to serve only 90 consecutive days of active duty. Third, it would allow States to provide benefits to nonprofessional employees of educational institutions between academic years or terms. Fourth, it would stop some State courts from disallowing employee lawsuits against their former employers because they had lost an appeal of a diqualification from receiving unemployment benefits. Fifth, it would make it easier for some long-term unemployed workers to receive unemployment benefits while retraining. Sixth, it allows States to exclude form coverage certain youth service workers who are enrolled in programs operated by tax-exempt organizations.

Title III—Demonstration program to provide job search assistance

Title III would establish a three-State demonstration program to study the cost-effectiveness of intensive job search assistance. The Subcommittee received testimony about similar studies already completed in New Jersey, Nevada, and Washington that concluded intensive job search assistance was cost-effective. Such assistance has been shown to help unemployed workers return to work sooner in jobs comparable to what they would have found later. In New Jersey, this not only made these workers better off, but it saved money for the trust fund. In addition, because the benefit savings outweighed the cost of providing the services, additional spending on intensive job search might even help to reduce the Federal budget deficit.

Title IV—Financing reform

Title IV would channel Federal personal income taxes paid on unemployment benefits into the Federal accounts of the unemployment trust fund instead of the general fund. It would also make certain changes in the flow of Federal unemployment taxes into the Federal accounts of the unemployment trust fund, require the Department of Labor to study and recommend changes in the method it uses to allocate administrative grants to States, and establish an quadrennial advisory council on Unemployment Compensation.

Title V—Budget compliance provisions

Title V ensures that the provisions of the bill comply with Congressional budget process procedures so that the bill does not activate a sequestration of other mandatory spending programs. All of the provisions of the bill are designated as "emergency" for purposes of the Balanced Budget and Deficit Control Act of 1990.

The cost estimates for the bill are as follows:

[Fiscal years; in millions of dollars]

	1991	1992	1993	1994	1995	1996	Total for 6 years
Outlays:							
Federal supplemental compensation	1,610	3,840	275	0	0	0	5,725
Ex-servicemembers	10	115	115	120	120	125	605
School employees	0	20	20	20	20	20	100
Job search assistance demonstration	0	0	2	0	0	0	2
Total	1,620	3,975	412	140	140	145	6,432
Revenue: School employee reimbursements	0	0	−20	−20	−20	−20	−80
Deficit effect	1,620	3,975	392	120	120	125	6,352

II. EXPLANATION OF H.R. 3040, THE UNEMPLOYMENT INSURANCE REFORM ACT OF 1991

Title I. Federal Supplemental Compensation Program

A. ESTABLISHMENT OF PROGRAM

Present law

No provision.

Explanation of provision

The provision would authorize a new permanent Federal Supplemental Compensation program with three tiers of benefits added to the 26 weeks of regular State benefits. It would be funded 100% out of existing Federal reserves and taxes.

If the three-month moving average of a State seasonally adjusted total unemployment rate (TUR) was at least 6 percent and at least 120 percent of the average for the last two years, 10 weeks of additional benefits would be available in that State. If the State's TUR was at least 7 percent and it met the 120 percent criterion, 15 weeks would be available in that State. If the State's TUR was at least 8 percent and it met the 120 percent criterion, 20 weeks would be available. (If the Bureau of Labor Statistics is unable to adjust some State unemployment rates for seasonal fluctuations, a six-month moving average of unadjusted unemployed rates would be used instead.)

Under a temporary National trigger, if the three-month moving average of the seasonally adjusted national TUR was at least 6 percent, a minimum of 5 weeks of benefits in all States would be activated. This provision would expire at the end of fiscal year 1992.

Workers who have exhausted regular benefits before the date of enactment, but on or after January 1, 1991, would be eligible to receive 10, 15, or 20 weeks of benefits in States activated by the State trigger and 5 weeks of benefits in States activated by the temporary National trigger.

Effective date

Date of enactment.

B. REPEAL OF EXTENDED UNEMPLOYMENT COMPENSATION PROGRAM

Present law

The Extended Benefits (EB) program currently activates in a State when its IUR (a 13-week moving average insured unemployment rate) is at least 5 percent and is at least 120% of the average IUR for the same period in the prior two years. At State option, EB can activate when the State IUR reaches 6 percent. All but 13 State programs have exercised this option. Funding for EB comes equally from Federal and State unemployment taxes.

Explanation of provision

The provision would repeal the Extended Benefits (EB) program.

Effective date

Date of enactment.

Title II. Modifications to Eligibility Provisions

A. PROHIBIT STATES FROM CANCELING BENEFIT RIGHTS

Present law

States are prohibited from denying any eligible claimant compensation by reason of cancelation of wage credits or total reduction of benefit rights for any cause other than discharge for misconduct connected with work, fraud connected to his claim for compensation, or receipt of disqualifying income. In practice, States have interpreted this to mean they can cancel all benefit rights up to the last week for which a claimant might be eligible.

Explanation of provision

The provision would prohibit States from canceling a claimant's rights to any weeks of benefits in a claimant's benefit year for any cause other than discharge for misconduct connected with work, fraud connected with a claim for unemployment compensation, or receipt of disqualifying income.

Effective date

Generally, the effective date is November 1, 1993. An exception is the case of a State in which the legislature has not been in session for at least 30 calendar days between the date of enactment and November 1, 1993. In this case, the effective date is 30 calendar days after the first day on which the legislature is in session on or after November 1, 1993.

B. LIMITATION ON DISQUALIFICATIONS UNDER STATE LAW

Present law

Federal law imposes no standards on State programs about disqualification for benefits with regard to job separations in a claimant's base period. The base period generally is a recent 12-month period within which benefits are calculated from earnings. Sixteen States have laws under which a claimant can be disqualified for quitting any job without good cause in his base year.

Explanation of provision

The provision would restrict State disqualification provisions related to voluntary leaving or misconduct in previous employment to the most recent job separation only. A worker could not be disqualified because he quit a previous job in his base period before he was laid off from his most recent job.

Effective date

Generally, the effective date is November 1, 1993. An exception is the case of a State in which the legislature has not been in session for at least 30 calendar days between the date of enactment and November 1, 1993. In this case, the effective date is 30 calendar days after the first day on which the legislature is in session on or after November 1, 1993.

C. PAYMENTS OF UNEMPLOYMENT COMPENSATION TO FORMER MEMBERS OF THE ARMED SERVICES

Present law

Under Federal law ex-servicemembers are eligible for only 13 weeks of unemployment compensation after serving a 4-week waiting period. In addition, reservists must serve 180 continuous days on active duty to receive credit for their service.

In order to be eligible for unemployment benefits, ex-servicemembers must have been discharged or released under honorable conditions and after completing their first full terms of active service which they agreed to serve. In addition, if they were discharged or released before completing their first full term of active service, the separation must have been for: (1) the convenience of the Government under an early release program; (2) a medical reason, pregnancy, parenthood, or any service-incurred injury or disability; (3) a hardship; or (4) a personality disorder or inaptitude, but only if the service was continuous for 365 days or more.

Explanation of provision

The provision would restore ex-servicemembers' benefits from the current 4-week waiting period and 13 weeks to generally the same one-week waiting period and 26 weeks available to civilians. Also, the provision would reduce the requirement that reservists must serve 180 continuous days of active duty to 90 days.

Effective date

Date of enactment.

D. OPTIONAL BENEFITS FOR CERTAIN SCHOOL EMPLOYEES

Present law

Federal law generally prohibits States from providing unemployment compensation between academic years or terms to employees of educational institutions.

Explanation of provision

The provision would allow States the option to pay benefits to non-professional employees of educational institutions between academic years or terms if they are eligible otherwise.

Effective date

Date of enactment.

E. TREATMENT OF CERTAIN DETERMINATIONS (PROHIBITION ON COLLATERAL ESTOPPEL)

Present law

Currently, 26 States prohibit courts from using quasi-judicial decisions reached in unemployment insurance hearings to stop law suits on related employment issues, such as wrongful discharge from a job. This judicial doctrine is called, "collateral estoppel." Federal law has no provision.

Explanation of provision

The provision would require State unemployment insurance laws to prohibit courts from stopping lawsuits on related employment issues based on a decision made in an unemployment insurance hearing.

Effective date

Generally, the effective date is November 1, 1992. An exception is the case of a State in which the legislature has not been in session for at least 30 calendar days between the date of enactment and November 1, 1992. In this case, the effective date is 30 calendar days after the first day on which the legislature is in session on or after November 1, 1992.

F. PROMOTION OF RETRAINING OF LONG-TERM UNEMPLOYMENT COMPENSATION RECIPIENTS

Present law

Current law provides that unemployment compensation shall not be denied to an individual because he is in training with the approval of the State Unemployment Insurance Service or because the State imposes State law provisions relating to availability for work, active search for work, or refusal to accept work.

Explanation of provision

The provision would require States to approve training for any claimant who received regular State benefits for at least 10 weeks unless States could show that the training would provide no net social benefits.

Effective date

Generally, the effective date is November 1, 1992. An exception is the case of a State in which the legislature has not been in session for at least 30 calendar days between the date of enactment and November 1, 1992. In this case, the effective date is 30 calendar days after the first day on which the legislature is in session on or after November 1, 1992.

G. TREATMENT OF CERTAIN YOUTH SERVICE PROGRAM PARTICIPANTS

Present law

Service for nonprofit organizations is excluded from unemployment insurance coverage under the Federal unemployment tax, but some service is covered by State laws. Federal law requires coverage of service under State unemployment insurance laws for nonprofit organizations that employ four or more workers in 20 weeks, are organizations described in section 501(c)(3) of the Internal Revenue Code of 1986, and are exempt from Federal income tax under section 501(a) of the Code.

Explanation of provision

States would be allowed to exclude from coverage service provided by individuals for certain nonprofit organizations which are exempt from Federal income tax under section 501(a) of the Code if: (1) the service is performed by participants in a youth service program operated by the organization and which is designed to foster a commitment to community service and occupational and educational development; and (2) the remuneration under the program is solely to reimburse the participant for the approximate costs of transportation, meals, and other miscellaneous expenses incurred in performing services for the organization, or for attending classes as part of the program, or as a cash award or scholarship for completing the program.

Effective Date

Date of enactment.

Title III. Demonstration Program To Provide Job Search Assistance

A. DEMONSTRATION PROGRAM TO PROVIDE JOB SEARCH ASSISTANCE

Present law

Federal law generally is silent on eligibility conditions. However, all States require claimants to be able to work and available for work. Also, most States require the claimant to register with a local employment office and to seek work actively or to make a reasonable effort to obtain work.

Explanation of provision

The provision would authorize three state demonstration projects to assess the cost-effectiveness of intensive job search services. Claimants who have at least 126 weeks of employment at $30 per week with their last employer in the last three years would participate in an intensive job search program after 6 to 10 weeks of regular State benefits. Workers with definite recall dates or those hiring out of union halls would not participate. Lack of compliance could lead to disqualification of up to 10 weeks of benefits. Waivers for good cause for refusal to participate woud be available. The claimant would receive a voucher worth the lesser of the average weekly benefit (about $170 nationwide) in his State of residence or reasonable cost of such services to purchase job search assistance from qualified providers, such as the Employment Service. Assistance would be funded from Federal taxes.

Intensive job search assistance would include all basic employment services such as orientation, testing, a job-search workshop, and an individual assessment and counseling interview. Additional services would involve periodically contacting the intensive job search assistance program staff, receiving follow-up assistance, and using resource centers and job search materials and equipment, such as telephones, job listings, and word processors for resume writing.

Effective Date

Date of enactment.

Title IV. Financing Reforms

A. TRANSFER OF INCOME TAXES ON UNEMPLOYMENT BENEFITS TO UNEMPLOYMENT TRUST FUND

Present law

Federal personal income taxes paid on unemployment compensation are deposited in the Federal General Fund.

Explanation of provision

The provision would require Federal personal income taxes paid on unemployment compensation to be deposited in the Supplemental Compensation Account of the Unemployment Trust Fund.

Effective Date

Fiscal year 1992.

B. MODIFICATIONS TO FEDERAL UNEMPLOYMENT ACCOUNTS

Present law

Generally, State accounts in the Federal unemployment trust funds earn interest on funds not required to meet current withdrawals at a rate equal to the average rate of interest of all interest-bearing obligations of the United States forming the public debt.

The Federal unemployment tax on employers is 0.8 percent on the first $7,000 paid annually to each employee. It flows into three Federal accounts: (1) the Employment Security Administration Account (ESSA); (2) the Extended Unemployment Compensation Account (EUCA); and (3) the Federal Unemployment Account (FUA).

The ESAA holds funds for the administration of the Unemployment Insurance and Employment Services. The EUCA holds funds to cover the Federal half of the Extended Benefits (EB) program. The FUA holds funds to lend to States who run out of money in their accounts to cover State benefits and the State half of the EB program.

Currently, 90 percent of the 0.8 percentage point or 0.72 percentage point of the Federal unemployment tax flows into ESAA. The remaining 0.08 percentage point is transferred monthly to EUCA. Up to 95% of the estimated net revenue after this transfer is available to be appropriated for State administrative costs. The remaining balance is available for Federal administrative costs. At the end of the fiscal year, any excess above 40 percent of the appropriation for the prior fiscal year is transferred to EUCA.

EUCA receives the 0.08 percentage point of the Federal unemployment tax plus any overflows from ESAA. It has a ceiling of 0.375 percent of total wages in covered employment in the prior calendar year. If the ESAA and EUCA are full, any excess at the end of the fiscal year is transferred to the FUA. If the ESAA is not full, the excess is transferred to ESAA and then any remaining funds go to FUA or EUCA to the extent that they are not full.

FUA does not receive Federal unemployment taxes directly. If ESAA and EUCA are full at the end of the fiscal year, FUA receives the excess funds. If all three accounts are full, the excess is allocated to the State accounts in the unemployment trust fund in proportion to each State's share of Federal unemployment taxes paid in the prior calendar year.

Explanation of provision

The provision would authorize a tiered interest rate structure to reward States for maintaining adequate balances. Interest rates on State balances would earn premiums of 5, 10, and 15 percent higher than the current interest rate if their "high-cost multiples" in the previous quarter exceeded 0.5, 1.0, and 1.5, respectively. The high-cost multiple equals a State's current trust fund balance expressed as a percent of total wages paid in the State divided by the highest ratio of benefit costs to total wages for a 12-month period in the State's experience.

The provision would change the flow of Federal unemployment tax revenue into the three Federal Accounts such that ESAA would receive 80 percent. EUCA and FUA each would receive 10 percent of the annual revenue. The overflows would continue to work as under present law. Interest-free borrowing would be authorized between the accounts. The ceilings in the loan account would be lowered from 0.625 to 0.375 percent of total annual wages. The ceiling on EUCA would be raised from 0.375 to 0.625 percent of total annual wages, and it would renamed the Supplemental Compensation Account.

Effective date

Fiscal year 1993.

C. REPORT ON METHOD OF ALLOCATING ADMINISTRATIVE FUNDS AMONG STATES

Present law

Federal law authorizes appropriations to assist States in the administrative of their unemployment compensation laws. The Secretary of Labor certifies to the Secretary of Treasury for payment to States such amounts as the Secretary determines to be necessary for the proper and efficient administration of unemployment compensation during the fiscal year for which the payment is made. The Secretary of Labor's determination must be based on the population of the State, an estimate of the number of persons covered by the State unemployment compensation law and the cost of proper and efficient administration of such law, and such other factors as the Secretary of Labor finds relevant. The Secretary of Labor may not certify for payment a total amount which exceeds the amount appropriated for the fiscal year.

Explanation of provision.

The Department of Labor would be required to develop a new method for distributing administrative grants to States. In the process, it must consult with representatives of the States, business, and labor. Grants to the States for administration must be based on workload and they must promote efficiency.

Effective date

Date of enactment.

D. ADVISORY COUNCIL ON UNEMPLOYMENT COMPENSATION

Present law

Title IX of the Social Security Act requires the Secretary of Labor to establish a Federal Advisory Council on unemployment compensation. The number of members must not exceed 16, including the chairman. The Council's purpose is to review the Federal-State unemployment compensation system and to make recommendations for change to the Secretary.

The Council is appointed by the Secretary, and members must consist of representatives of employers and employees, in equal numbers, and the public. The Council held its last formal meeting on April 22 and 23 of 1981. Its charter expired in 1986.

Explanation of provision

The provision would repeal current law and establish a new Advisory Council on Unemployment Insurance modeled after the quadrennial advisory councils established for the Social Security programs. This Council would report to Congress on the countercyclical effectiveness, benefit adequacy, solvency, and administrative efficiency of the program.

The Council would have 16 members plus the Secretary of Labor. The President would appoint 8 members and Congress would appoint 8 members. There would be 4 members each from Congress, business, labor, and State government. The Secretary of Labor would serve as chairman.

Effective date

Date of enactment.

Title V. Budget Compliance Provisions

A. COST ESTIMATE

Present law

None.

Explanation of provision

As required by House rules, the total outlays and receipts in millions of dollars are written into the bill as follows:

	Outlays	Receipts
Fiscal years:		
1991	1,620	0
1992	3,975	0
1993	412	20
1994	140	20
1995	140	20

Effective date

Date of enactment.

B. TREATMENT UNDER PAY-AS-YOU-GO PROCEDURES

Present law

The Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Budget Enforcement Act of 1990, provides for a way to exempt new outlays from spending caps and the pay-as-you-go sequester by designating them as an emergency.

The Balanced Budget and Emergency Deficit Control Act of 1985, as amended, provides if losses in revenue or increases in mandatory spending are not offset by some combination of increases in revenue or cuts in other mandatory spending, a sequester of non-exempt mandatory spending will occur 15 days after Congress adjourns for the year. Under the sequester, cuts are imposed on all non-exempt mandatory spending programs. The Medicare cut is limited to 4 percent, but because Medicare is so large relative to other non-exempt mandatory spending, it would absorb over 80 percent of the total sequester reductions.

Explanation of provision

Because of the recession, the provisions of the bill would constitute an emergency within the meaning of section 252(e) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended. Notwithstanding the cost estimate, any amount of new budget authority, outlays, or receipts resulting from this bill not be considered for any purpose of the Balanced Budget and Emergency Deficit Control Act of 1985.

Effective date

Date of enactment.

C. EXEMPTION OF FEDERAL SUPPLEMENTAL COMPENSATION FROM SEQUESTRATION

Present law

The Federal half of Federal-State Extended Benefits is subject to sequestration.

Explanation of provision

Federal Supplemental Compensation would be exempt from sequestration.

Effective date

Date of enactment.

III. BUDGET EFFECTS OF THE BILL

A. COMMITTEE ESTIMATE

In compliance with clause 7(a) of rule XIII of the Rules of the House of Representatives, the following statement is made: the Committee agrees with the estimate prepared by the Congressional Budget Office which is included below.

B. STATEMENT REGARDING NEW BUDGET AUTHORITY AND TAX EXPENDITURES

In compliance with clause 2(l)(3)(B) of rule XI of the Rules of the House of Representatives, the committee states that the letter from the Congressional Budget Office indicates that there is a change in budget authority and that there are no new or increased tax expenditures as a result of the bill.

C. COST ESTIMATE PREPARED BY THE CONGRESSIONAL BUDGET OFFICE

In compliance with clause 2(l)(3)(B) of rule XI of the Rules of the House of Representatives requiring a cost estimate prepared by the Congressional Budget Office, the following report prepared by CBO is provided:

U.S. Congress,
Congressional Budget Office,
Washington, DC, July 31, 1991.

Hon. Dan Rostenkowski,
Chairman, Committee on Ways and Means,
U.S. House of Representatives, Washington, DC.

Dear Mr. Chairman: The Congressional Budget Office has prepared the enclosed cost estimate of H.R. 3040, the Unemployment Insurance Reform Act of 1991, as ordered reported by the Committee on Ways and Means on July 30, 1991.

Because this bill would affect direct spending, we have provided an attachment with the estimate required by clause 8 of House Rule XXI.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

Robert D. Reischauer,
Director.

Enclosure.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: H.R. 3040.
2. Bill title: Unemployment Insurance Reform Act of 1991.
3. Bill status: As ordered reported by the Committee on Ways and Means on July 30, 1991.
4. Bill purpose: To authorize a new federal supplemental compensation program, to modify eligibility provisions, to provide a demonstration program of federal job search assistance, and for other purposes.
5. Estimated cost to the Federal Government:

[By fiscal years, in millions of dollars]

	1991	1992	1993	1994	1995	1996
Direct Spending						
Title I—Federal supplemental compensation:						
Estimated budget authority	1,610	3,840	275	0	0	0
Estimated outlays	1,610	3,840	275	0	0	0

[By fiscal years, in millions of dollars]

	1991	1992	1993	1994	1995	1996
Title II—Modifications to eligibility provisions:						
Former members of the Armed Services:						
Estimated budget authority	10	115	115	120	120	125
Estimated outlays	10	115	115	120	120	125
School employees provision:						
Estimated budget authority	0	20	20	20	20	20
Estimated outlays	0	20	20	20	20	20
Estimated net revenues	0	0	20	20	20	20
Title III—Federal job search assistance:						
Estimated budget authority	0	0	2	0	0	0
Estimated outlays	0	0	2	0	0	0
Amounts subject to appropriations action:						
Advisory council:						
Estimated authorization	0	1	0	0	0	1
Estimated outlays	0	1	0	0	0	1
Administrative costs:						
Estimated authorization	55	130	10	0	0	0
Estimated outlays	55	130	10	0	0	0

Basis of Estimate: This discussion is limited to provisions in H.R. 3040 that are expected to have a budgetary effect.

Federal supplemental compensation

Title I of H.R. 3040 would repeal the current extended benefit program and would authorize a new federal supplemental compensation program. This program would provide three tiers of benefits depending on a state's seasonally adjusted total unemployment rate (TUR). Currently, seasonally adjusted TURs are not available in all states. The bill does permit the use of seasonally unadjusted TURs until seasonally adjusted data is available.

If a state's TUR equaled or exceeded 120 percent of the average of such rates for the corresponding three month period in each of the preceding two calendar years and equaled 6 percent, then 10 weeks of additional benefits would be available in that state. If a state's TUR equaled or exceeded 7 percent and met the 120 percent criterion, then 15 weeks of additional benefits would be available in that state. Finally, if a state's TUR equaled or exceeded 8 percent and met the 120 percent criterion, then 20 additional weeks of benefits would be available in that state.

In addition, this bill would authorize a temporary benefit program that would provide an additional 5 weeks of benefits in any state that is not otherwise paying benefits when the national TUR equaled or exceeded 6 percent. This provision would expire at the end of fiscal year 1992.

The estimated cost of this program is $5.725 billion over the 6-year estimating period. This estimate assumes the Federal Supplemental Compensation program would pay benefits for approximately 35 million weeks of unemployment and that the average benefit amount would be $170 per person per week. The estimate was developed using a model that compares projected unemployment rates with the structure of rates that determine the benefit tiers. The estimate is based on CBO's February 1991 economic assumptions that included a 6.6 percent unemployment rate for fiscal year 1992.

In addition, CBO estimates there would be additional administrative costs of $195 million over the 6-year period to process the additional claims for the Federal Supplemental Compensation program.

Modifications to eligibility provisions

Former Members of the Armed Services: H.R. 3040 would increase the number of weeks that ex-servicemembers could collect unemployment benefits. This bill would reduce the waiting period from four weeks to one week and extend the eligibility period from 13 weeks to 26 weeks. CBO estimates the cost of this provision would be $10 million in 1991 and would grow to $125 million in 1996. These changes would result in an additional 16 to 18 thousand ex-servicemembers receiving benefits each year and would increase the average number of weeks of benefits received by about 5.

School Employees Provision: H.R. 3040 would amend the Federal Unemployment Tax Act (FUTA) to allow states, at their option, to pay unemployment benefits to non-professional school employees between academic terms as long as they have reason to believe they would not be rehired the following academic year. States were permitted this treatment until 1983 when federal legislation eliminated it. At that time 15 states had this provision in their unemployment programs. CBO estimates outlays would be increased by $20 million each year in fiscal years 1992-1996 as a result of this provision. For fiscal years 1993-1996, revenues would increase an estimated $20 million each year. This estimate assumes about half of the states that had this provision prior to 1983 would participate. Approximately, 24,000 beneficiaries would collect a weekly average benefit of $120 for about 8 weeks.

Benefits paid to state and local employees, while paid out of the unemployment trust fund, must be reimbursed by the state. These reimbursements by the states are accounted for in the federal budget as revenues. There is a quarter lag between when benefits are paid and when the trust fund is reimbursed. Because most school employees work almost until the end of June, we assume benefits would be paid during the last months of the fiscal year. Therefore, the trust fund would be reimbursed in the following fiscal year. After the first year, the reimbursement would roughly equal the benefit payments and there would be no additional federal deficit effect after fiscal year 1992.

Non-profit Organization Employees Provision: H.R. 3040 would exempt youth service program participants employed by non-profit organizations that foster a commitment to community service from unemployment coverage. Currently, non-profit organizations reimburse the trust fund for benefits paid. CBO estimates this provision would have an insignificant effect on outlays and revenues for fiscal years 1991-1996.

Federal Job Search Assistance Demonstration Program

H.R. 3040 would allow the Department of Labor to operate a one year Federal Job Search Assistance Demonstration program in 3 states. Eligible claimants would be given a voucher worth their weekly benefit amount to purchase job search assistance from an approved provider. Claimants who have at least three-years of experience with their last employer would be eligible to participate in a federal job search assistance program. Those workers with definite recall dates or hiring out of a union hall would not be eligible. Beneficiaries would be limited to not more than 5 percent of the state's unemployment benefit claimant population. Based on discussions with the Department of Labor, CBO estimates the cost of this demonstration would be $2 million in fiscal year 1993.

Advisory Council on Unemployment Compensation: Further, H.R. 3040 would establish an Unemployment Advisory Council similar to the Social Security Advisory Council. The Council would be required to meet not later than December 31, 1991 and every fifth year thereafter. The first report would be due October 1, 1992. The function of the Council would include reports to Congress regarding the counter-cyclical effectiveness of the unemployment compensation program, benefit adequacy, trust fund solvency and administrative efficiency of the program. The Council would consist of 17 members including the Secretary of Labor. The composition of the Council would be as follows: the Secretary of Labor would be the Chairperson, one-quarter would be members of Congress, one-quarter would be business representatives, one-quarter would be labor representatives, and one-quarter would be state government representatives. Each member of the Council would be compensated $100 per day plus travel expenses. H.R. 3040 would authorize appropriations for any staff support and technical assistance required by the Council. Based on estimates for the Social Security Council and other Councils, CBO estimates the cost would be $1 million in fiscal years 1992 and 1996.

6. Pay-as-you-go considerations: Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts through 1995.

The direct spending costs of this bill as shown below are not included in the baseline and are subject to the pay-as-you-go procedures. Section 502 of the bill contains a Congressional and a Presidential designation of the funding provided herein as emergency expenditures. If it is determined that this designation meets emergency requirements, then, pursuant to the Balanced Budget and Emergency Deficit Control Act, such spending and receipts will be exempt from the pay-as-you-go requirements.

[By fiscal year, in millions of dollars]

	1991	1992	1993	1994	1995
Change in outlays	1,620	3,975	412	140	140
Change in receipts	0	0	20	20	20

7. Estimated cost to State and local government: None.
8. Estimate comparison: None.
9. Previous CBO estimate: None.
10. Estimate prepared by: Maureen Griffin and Cory Oltman.

11. Estimate approved by: C.G. Nuckols, for James L. Blum, Assistant Director for Budget Analysis.

The applicable cost estimate of this Act for all purposes of sections 252 and 253 of the Balanced Budget and Emergency Deficit Control Act of 1985 shall be as follows:

CONGRESSIONAL BUDGET OFFICE ESTIMATE [1]

[By fiscal years, in millions of dollars]

	1991	1992	1993	1994	1995
Change in outlays [2]	1,620	3,975	412	140	140
Change in receipts [2]	0	0	20	20	20

[1] An estimate of H.R. 3040, Unemployment Insurance Reform Act of 1991, as ordered reported by the Committee on Ways and Means on July 30, 1991. This estimate was transmitted by the Congressional Budget Office on July 31, 1991.

[2] Section 502 of the bill contains a Congressional and a Presidential designation of the funding provided herein as emergency expenditures. If it is determined that this designation meets emergency requirements, then, pursuant to the Balanced Budget and Emergency Deficit Control Act, such spending and receipts will be exempt from the pay-as-you-go requirements.

IV. OTHER MATTERS REQUIRED TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

A. VOTE OF THE COMMITTEE

In compliance with clause 2(l)(2)(B) of rule XI of the Rules of the House of Representatives, the following statement is made: the bill, H.R. 3040, was ordered favorably reported with an amendment in the nature of a substitute for the original text to the House of Representatives on July 30, 1991 by a vote of 24 to 12.

B. OVERSIGHT FINDINGS

In compliance with clause 2(l)(3)(A) of rule XI of the Rules of the House of Representatives, the Committee reports that the need for this legislation was confirmed by the oversight hearings of the Subcommittee on Human Resources.

In the 102d Congress, the Subcommittee held a total of 5 hearings on unemployment insurance. The hearings were as follows:

On February 6, 1991, the Subcommittee held a hearing on Unemployment Insurance and the Recession (Serial 102-1).

On February 20, 1991, the Subcommittee held a hearing on Coverage and Finance Issues in the Unemployment Insurance System (Serial 102-7).

On February 26, 1991, the Subcommittee held a hearing on Long-Term Unemployed (Serial 102-2).

On February 28, 1991, the Subcommittee held a hearing on Job Search and Reemployment Services for the Unemployed (Serial 102-9).

C. OVERSIGHT BY COMMITTEE ON GOVERNMENT OPERATIONS

In compliance with clause 2(l)(3)(D) of rule XI of the Rules of the House of Representatives, the Committee states that no oversight findings and recommendations have been submitted to this Committee by the Committee on Government Operations with respect to the provisions contained in this bill.

D. INFLATION IMPACT

In compliance with clause 2(l)(4)(B) of rule XI of the Rules of the House of Representatives, the Committee states that the provisions of the amendments are not expected to have any inflationary impact on the economy.

V. Changes in Existing Law Made by the Bill, as Reported

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, change in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

Federal-State Extended Unemployment Compensation Act of 1970

[TITLE II—FEDERAL-STATE EXTENDED UNEMPLOYMENT COMPENSATION PROGRAM

[SHORT TITLE

[Sec. 201. This title may be cited as the "Federal-State Extended Unemployment Compensation Act of 1970".

[PAYMENT OF EXTENDED COMPENSATION

[State Law Requirements

[Sec. 202. (a)(1) For purposes of section 3304(a)(11) of the Internal Revenue Code of 1954, a State law shall provide that payment of extended compensation shall be made, for any week of unemployment which begins in this individual's eligibility period, to individuals who have exhausted all rights to regular compensation under the State law and who have no rights to regular compensation with respect to such week under such law or any other State unemployment compensation law or to compensation under any other Federal law and are not receiving compensation with respect to such week under the unemployment compensation law of Canada. For purposes of the preceding sentence, an individual shall have exhausted his rights to regular compensation under such law because such individual has received all regular compensation available to him based on employment or wages during his base period, or (B) when his rights to such compensation have terminated by reason of the expiration of the benefit year with respect to which such rights existed.

[(2) Except where inconsistent with the provisions of this title, the terms and conditions of the State law which apply to claims for regular compensation and to the payment thereof shall apply to claims for extended compensation and to the payment thereof.

[(3)(A) Notwithstanding the provisions of paragraph (2), payment of extended compensation under this Act shall not be made to any individual for any week of unemployment in his eligibility period—

[(i) during which he fails to accept any offer of suitable work (as defined in subparagraph (c)) or fails to apply for any suitable work to which he was referred by the State agency; or [(ii) during which he fails to actively engage in seeking work, unless such individual is not actively engaged in seeking work because such individual is, as determined in accordance with State law—

[(I) before any court of the United States or any State pursuant to a lawfully issued summons to appear for jury duty (as such term may be defined by the Secretary of Labor), or

[(II) hospitalized for treatment of an emergency or a life-threatening condition (as such term may be defined by such Secretary),

if such exemptions in clauses (I) and (II) apply to recipients of regular benefits, and the State chooses to apply such exemptions for recipients of extended benefits.

[(B) If any individual is ineligible for extended compensation for any week by reason of a failure described in clause (i) or (ii) of subparagraph (A), the individual shall be ineligible to receive extended compensation for any week which begins during a period which—

[(i) begins with the week following the week in which such failure occurs, and

[(ii) does not end until such individual has been employed during at least 4 weeks which begin after such failure and the total of the remuneration earned by the individual for being so employed is not less than the product of 4 multiplied by the individual's average weekly benefit amount (as determined for purposes of subsection (b)(1)(c)), for his benefit year.

[(C) For purposes of this paragraph, the term "suitable work" means, with respect to any individual, any work which is within such individual's capabilities; except that, if the individual furnishes evidence satisfactory to the State agency that such individual's prospects for obtaining work in his customary occupation within a reasonably short period are good, the determination of whether any work is suitable work with respect to such individual shall be made in accordance with the applicable State law.

[(D) Extended compensation shall not be denied under clause (i) of subparagraph (A) to any individual for any week by reason of a failure to accept an offer of, or apply for, suitable work—

[(i) if the gross average week remuneration payable to such individual for the position does not exceed the sum of—

[(I) the individual's average weekly benefit amount (as determined for purposes of subsection (b)(1)(C)) for his benefit year, plus

[(II) the amount (if any) of supplemental unemployment compensation benefits (as defined in section 501(c)(17)(D) of the Internal Revenue Code of 1954) payable to such individual for such week;

[(ii) if the position was not offered to such individual in writing and was not listed with the State employment service;

[(iii) if such failure would not result in a denial of compensation under the provisions of the applicable State law to the extent that such provisions are not inconsistent with the provisions of subparagraphs (C) and (E); or

[(iv) if the position pays wages less than the higher of—

[(I) the minimum wage provides by section 6(a)(1) of the Fair Labor Standards Act of 1938, without regard to any exemption; or

[(II) any applicable State or local minimum wage.

[(E) For purposes of this paragraph, an individual shall be treated as actively engaged in seeking work during any week if—

[(i) the individual has engaged in a systematic and sustained effort to obtain work during such week, and

[(ii) the individual provides tangible evidence to the State agency that he has engaged in such an effort during such week.

[(F) For purposes of section 3304(a)(11) of the Internal Revenue Code of 1954, a State law shall provide for referring applicants for benefits under this Act to any suitable work to which clauses (i), (ii), (iii), and (iv) of subparagraph (D) would not apply.

[(4) No provision of State law which terminates a disqualification for voluntarily leaving employment, being discharged for misconduct, or refusing suitable employment shall apply for purposes of determining eligibility for extended compensation unless such termination is based upon employment subsequent to the date of such disqualification.

[(5) Notwithstanding the provisions of paragraph (2), an individual shall not be eligible for extended compensation unless, in the base period with respect to which the individual exhausted all rights to regular compensation under the State law, and individual had 20 weeks of full-time insured employment, or the equivalent in insured wages. For purposes of this paragraph, the equivalent in insured wages shall be earnings covered by the State law for compensation purposes which exceed 40 times the individual's most recent weekly benefit amount of 1½ times the individual's insured wages in that calendar quarter of the base period in which the individual's insured wages were the highest (or one such quarter if his wages were the same for more than one such quarter). The State shal be law provide which one of the foregoing methods of measuring employment and earnings shall be used in that State.

[(6) No payment shall be made under this Act to any State in respect of any extended compensation or sharable regular compensation paid to any individual for any week if, under the rules of paragraphs (3), (4), and (5), extended compensation would not have been payable to such individual for such week.

[INDIVIDUALS' COMPENSATION ACCOUNTS

[(b)(1) The State law shall provide that the State will establish, for each eligible individual who files an application therefor, an extended compensation account with respect to such individual's benefit year. The amount established in such account shall be not less than whichever of the following is the least:

[(A) 50 per centum of the total amount of regular compensation (including dependents' allowances) payable to him during such benefit year under such law,

[(B) thirteen times his average weekly benefit amount, or

[(C) thirty-nine times his average weekly benefit amount reduced by the regular compensation paid (or deemed paid) to him during such benefit year under such law;

except that the amount so determined shall (if the State law so provides) be reduced by the aggregate amount of additional compensation paid (or deemed paid) to him under such law for prior weeks of unemployment in such benefit year which did not begin in an extended benefit period.

[(2) For purposes of paragraph (1), an individual's weekly benefit amount for a week is the amount of regular compensation (including dependents' allowances) under the State law payable to such individual for such week for total unemployment.

[Cessation of Extended Benefits When Paid Under an Interstate Claim in a State Where Extended Benefit Period Is Not in Effect

[(c)(1) Except as provided in paragraph (2), payment of extended compensation shall not be made to any individual for any week if—

[(A) extended compensation would (but for this subsection) have been payable for such week pursuant to an interstate claim filed in any State under the interstate benefit payment plan, and

[(B) an extended benefit period is not in effect for such week in such State.

[(2) Paragraph (1) shall not apply with respect to the first 2 weeks for which extended compensation is payable (determined without regard to this subsection) pursuant to an interstate claim filed under the interstate benefit payment plan to the individual from the extended compensation account established for the benefit year.

[(3) Section 3304(a)(9)(A) of the Internal Revenue Code of 1954 shall not apply to any denial of compensation required under this subsection.

[EXTENDED BENEFIT PERIOD

[Beginning and Ending

[Sec. 203. (a) For purposes of this title, in the case of any State, an extended benefit period—

[(1) shall begin with the third week after the first week for which there is a State "on" indicator; and

[(2) shall end with the third week after the first week for which there is a State "off" indicator.

[Special Rules

[(b)(1) In the case of any State—

[(A) no extended benefit period shall last for a period of less than thirteen consecutive weeks, and

[(B) no extended benefit period may begin before the fourteenth week after the close of a prior extended benefit period with respect to such State.

[(2) When a determination has been made that an extended benefit period is beginning or ending with respect to a State, the Secretary shall cause notice of such determination to be published in the Federal Register.

[Eligibility Period

[(c) For purposes of this title, an individual's eligibility period under the State law shall consist of the weeks in his benefit year which begin in an extended benefit period and, if his benefit year ends within such extended benefit period, any weeks thereafter which begin in such extended benefit period.

[State "On" and "Off" Indicators

[(d) For purposes of this section—

[(1) There is a State "on" indicator for a week if the rate of insured unemployment under the State law for the period consisting of such week and the immediately proceding twelve weeks—

[(A) equaled or exceeded 120 per centum of the average of such rates for the corresponding thirteen-week period ending in each of the preceding two calendar years, and

[(B) equaled or exceeded 5 per centum.

[(2) There is a State "off" indicator for a week if, for the period consisting of such week and the immediately proceding twelve weeks, either suparagraph (A) of subparagraph (B) of paragraph (1) is not satisfied.

Effective with respect to compensation for weeks of unemployment beginning after March 30, 1977 (or, if later, the date established pursuant to State law), the State may by law provide that the determination of whether there has been a State "on" or "off" indicator beginning or ending any extended benefit period shall be made under this subsection as if (i) paragraph (1) did not contain subparagraph (A) thereof, and (ii) the figure "5" contained in subparagraph (B) thereof were "6"; except that, notwithstanding any such provision of State law, any week for which there would otherwise be a State "on" indicator shall continue to be such a week and shall not be determined to be a weeks for which there is a State "off" indicator. For purposes of this subsection, the rate of insured unemployment for any thirteen-week period shall be determined by reference to the average monthly covered employment under the State law for the first four of the most recent six calendar quarters ending before the close of such period.

[Rate of Insured Unemployment; Covered Employment

[(e)(1) For purposes of subsection (d), the term "rate of insured unemployment" means the percentage arrived at by dividing—

[(A) the average weekly number of individuals filing claims for regular compensation for weeks of unemployment with respect to the specified period, as determined on the basis of the reports made by the State agency to the Secretary, by

[(B) the average monthly covered employment for the specified period.

[(2) Determinations under subsection (d) shall be made by the State agency in accordance with regulations prescribed by the Secretary

[PAYMENTS TO STATES

[AMOUNT PAYABLE

[SEC. 204. (a)(1) There shall be paid to each State an amount equal to one-half of the sum of—

[(A) the sharable extended compensation, and

[(B) the sharable regular compensation,

paid to individuals under the State law.

[(2) No payment shall be made to any State under this subsection in respect of compensation (A) for which the State is entitled to reimbursement under the provisions of any Federal law other than this Act, (B) paid for the first week in an individual's eligibility period for which extended compensation or sharable regular compensation is paid, if the State law of such State provides for payment (at any time or under any circumstances) of regular compensation to an individual for his week of otherwise compensable unemployment, (C) paid for any week with respect to which such benefits are not payable by reason of section 233(d) of the Trade Act of 1974, or (D) paid to an individual with respect to a week of unemployment to the extent that such amount exceeds the amount of such compensation which would be paid to such individual if such State had a benefit structure which provided that the amount of compensation otherwise payable to any individual for any week shall be rounded (if not a full dollar amount) to the nearest lower full dollar amount.

[(3) The amount which, but for this paragraph, would be payable under this subsection to any State in respect to any compensation paid to an individual whose base period wages include wages for services to which section 3306(c)(7) of the Internal Revenue Code of 1954 applies shall be reduced by an amount which bears the same ratio to the amount which, but for this paragraph, would be payable under this subsection to such State in respect of such compensation as the amount of the base period wages attributable to such services bears to the total amount of the base period wages.

[SHARABLE EXTENDED COMPENSATION

[(b) For purposes of subsection (a)(1)(A), extended compensation paid to an individual for weeks of unemployment in such individual's eligibility period is sharable extended compensation to the extent that the aggregate extended compensation paid to such individual with respect to any benefit year does not exceed the smallest of the amounts referred to in subparagraphs (A), (B), and (C) of section 202(b)(1).

[SHARABLE REGULAR COMPENSATION

[(c) For purposes of subsection (a)(1)(B), regular compensation paid to an individual for a week of unemployment is sharable regular compensation—

[(1) if such week is in such individual's eligibility period (determined under section 203(c)), and

[(2) to the extent that the sum of such compensation, plus the regular compensation paid (or deemed paid) to him with respect to prior weeks of unemployment in the benefit year, exceeds twenty-six times (and does not exceed thirty-nine times) the average weekly benefit amount (including allowances for dependents) for weeks of total unemployment payable to such individual under the State law in such benefit year.

[PAYMENT ON CALENDAR MONTH BASIS

[(d) There shall be paid to each State either in advance or by way of reimbursement, as may be determined by the Secretary, such sum as the Secretary estimates the State will be entitled to receive under this title for each calendar month, reduced or increased, as the case may be, by any sum by which the Secretary finds that his estimates for any prior calendar month were greater or less than the amounts which should have been paid to the State. Such estimates may be made upon the basis of such statistical, sampling, or other method as may be agreed upon by the Secretary and the State agency.

[CERTIFICATION

[(e) The Secretary shall from time to time certify to the Secretary of the Treasury for payment to each State the sums payable to such State under this section. The Secretary of the Treasury, prior to audit or settlement by the General Accounting Office, shall make payment to the State in accordance with such certification, by transfers from the extended unemployment compensation account to the account of such State in the Unemployment Trust Fund.

[DEFINITIONS

[SEC. 205. For purposes of this title—

[(1) The term "compensation" means cash benefits payable to individuals with respect to their unemployment.

[(2) The term "regular compensation" means compensation payable to an individual under any State unemployment compensation law (including compensation payable pursuant to 5 U.S.C. chapter 85), other than extended compensation and additional compensation.

[(3) The term "extended compensation" means compensation (including additional compensation and compensation payable pursuant to 5 U.S.C. chapter 85) payable for weeks of unemployment beginning in an extended benefit period to an individual under those provisions of the State law which satisfy the requirements of this title with respect to the payment of extended compensation.

[(4) The term "additional compensation" means compensation payable to exhaustees by reason of conditions of high unemployment or by reason of other special factors.

[(5) The term "benefit year" means the benefit year as defined in the applicable State law.

[(6) The term "base period" means the base period as determined under applicable State law for the benefit year.

[(7) The term "Secretary" means the Secretary of Labor of the United States.

[(8) The term "State" includes the District of Columbia, the Commonwealth of Puerto Rico, and the Virgin Islands.

[(9) The term "State agency" means the agency of the State which administers its State law.

[(10) The term "State law" means the unemployment compensation law of the State, approved by the Secretary under section 3304 of the Internal Revenue Code of 1954.

[(11) "The term "week" means a week as defined in the applicable State law.

[APPROVAL OF STATE LAWS

[SEC. 206. Section 3304(a) of the Internal Revenue Code of 1954 is amended by inserting after paragraph (10) (added by section 121(a) of this Act) the following new paragraph:

[“(11) extended compensation shall be payable as provided by the Federal-State Extended Unemployment Compensation Act of 1970;”.

[EFFECTIVE DATES

[SEC. 207. (a) Except as provided in subsection (b)—

[(1) in applying section 203, no extended benefit period may begin with a week beginning before January 1, 1972; and

[(2) section 204 shall apply only with respect to weeks of unemployment beginning after December 31, 1971.

[(b)(1) In the case of a State law approved under section 3304(a)(11) of the Internal Revenue Code of 1954, such State law may also provide that an extended benefit period may begin with a week established pursuant to such law which begins earlier than January 1, 1972, but not earlier than 60 days after the date of the enactment of this Act.

[(2) For purposes of paragraph (1) with respect to weeks beginning before January 1, 1972, the extended benefit period for the State shall be determined under section 203(a) solely by reference to the State "on" indicator and the State "off" indicator.

[(3) In the case of a State law containing a provision described in paragraph (1), section 204 shall also apply with respect to weeks of unemployment in extended benefit periods determined pursuant to paragraph (1).

[(c) Section 3304(a)(11) of the Internal Revenue Code of 1954 (as added by section 206) shall not be a requirement for the State law of any State—

[(1) in the case of any State the legislature of which does not meet in a regular session which closes during the calendar year 1971, with respect to any week of unemployment which begins prior to July 1, 1972; or

[(2) in the case of any other State, with respect to any week of unemployment which begins prior to January 1, 1972.]

INTERNAL REVENUE CODE OF 1986

* * * * * * *

Subtitle C—Employment Taxes

* * * * * * *

CHAPTER 23—FEDERAL UNEMPLOYMENT TAX ACT

* * * * * * *

SEC. 3304. APPROVAL OF STATE LAWS.

(a) REQUIREMENTS.—The Secretary of Labor shall approve any State law submitted to him, within 30 days of such submission, which he finds provides that—

(1) * * *

* * * * * * *

(6)(A) compensation is payable on the basis of service to which section 3309(a)(1) applies, in the same amount, on the same terms, and subject to the same conditions as compensation payable on the basis of other service subject to such law except that—

(i) * * *

(ii) with respect to services in any other capacity for an educational institution to which section 3309(a)(1) applies—

(I) compensation payable on the basis of such services **[**shall**]** *may* be denied to any individual for any week which commences during a period between 2 successive academic years or terms if such individual performs such services in the first of such academic years or terms and there is a reasonable assurance that such individual will perform such services in the second of such academic years or terms, except that

* * * * * * *

(iii) with respect to any services described in clause (i) or (ii), compensation payable on the basis of such services shall be denied to any individual for any week which commences during an established and customary vacation period or holiday recess if such individual performs such services in the period immediately before such vacation period or holiday recess, and there is a reasonable assurance that such individual will perform such services in the period immediately following such vacation period or holiday recess, **[**and**]**

(iv) with respect to any services described in clause (i) or (ii), compensation payable on the basis of services in any such capacity shall be denied as specified in clauses (i), (ii), and (iii) to any individual who performed such services in an educational institution while in the employ of an educational service agency, and for this purpose the term "educational service agency" means a governmental agency or governmental entity which is established and operated exclusively for the purpose of providing such services to one or more educational institutions, [and]

(v) with respect to services to which section 3309(a)(1) applies, if such services are provided to or on behalf of an educational institution, compensation may be denied under the same circumstances as described in clauses (i) through (iv), and

(vi) with respect to services described in clause (ii), clauses (iii) and (iv) shall be applied by substituting "may be denied" for "shall be denied",

(vii) compensation may be denied to an individual on the basis of services for an organization described in section 501(c)(3) and exempt from tax under section 501(a) as a participant in a youth service program which is operated by such organization and which is designed to foster a commitment to community service and occupational and educational development and does not include any substantial commercial activities, if the remuneration under the program consists solely of—

(I) amounts established by the program to approximate the transportation, meals, and other miscellaneous expenses incurred by the participant in performing services, or in attending educational classes, pursuant to the program, and

(II) amounts received on completion of such individual's participation in such program as a cash award or as a scholarship, and

* * * * * * *

[(8) compensation shall not be denied to an individual for any week because he is in training with the approval of the State agency (or because of the application, to any such week in training, of State law provisions relating to availability for work, active search for work, or refusal to accept work);]

(8)(A) compensation shall not be denied to any individual for any week because during such week such individual is participating (as defined in regulations issued by the Secretary of Labor) in training with the approval of the State agency (or because of the application, to any week during which such individual is so participating, of State law provisions relating to the availability for work, active search for work, or refusal to accept work), and

(B) in the case of an individual who has received compensation under the State law for 10 weeks or more during the benefit year, the State agency shall approve any program of training involving—

(i) classroom training,

(ii) occupational skill training,

(iii) basic or remedial education, or

(iv) literacy or remedial English training,

unless such agency determines, from a preponderance of evidence, that such training would not provide a net social benefit;

* * * * * * *

(10)*(A)* compensation shall not be denied to any individual by reason of cancellation of wage credits or [total] reduction of his benefit rights for any cause other than discharge for misconduct connected with his work, fraud in connection with a claim for compensation, or receipt of disqualifying income; *and*

(B) compensation shall not be denied to any individual by reason of the circumstances under which such individual separated from employment by any employer unless such separation was such individual's most recent separation from employment;

[(11) extended compensation shall be payable as provided by the Federal-State Extended Unemployment Compensation Act of 1970;

[(12)] *(11)* no person shall be denied compensation under such State law solely on the basis of pregnancy or termination of pregnancy;

[(13)] *(12)* compensation shall not be payable to any individual on the basis of any services, substantially all of which consist of participating in sports or athletic events or training or preparing to so participate, for any week which commences during the period between two successive sport seasons (or similar periods) if such individual performed such services in the first of such seasons (or similar periods) and there is a reasonable assurance that such individual will perform such services in the later of such seasons (or similar periods);

[(14)] *(13)*(A) compensation shall not be payable on the basis of services performed by an alien unless such alien is an individual who was lawfully admitted for permanent residence at the time such services were performed, was lawfully present for purposes of performing such services, or was permanently residing in the United States under color of law at the time such services were performed (including an alien who was lawfully present in the United States as a result of the application of the provisions of section 212(d)(5) of the Immigration and Nationality Act),

(B) any data or information required of individuals applying for compensation to determine whether compensation is not payable to them because of their alien status shall be uniformly required from all applicants for compensation, and

(C) in the case of an individual whose application for compensation would otherwise be approved, no determination by the State agency that compensation to such individual is not payable because of his alien status shall be made except upon a preponderance of the evidence;

[(15)] *(14)* the amount of compensation payable to an individual for any week which begins after March 31, 1980, and which begins in a period with respect to which such individual is receiving a governmental or other pension, retirement or retired pay, annuity, or any other similar periodic payment which is based on the previous work of such individual shall be reduced (but not below zero) by an amount equal to the amount of such pension, retirement or retired pay, annuity, or other payment, which is reasonably attributable to such week except that—

(A) the requirements of this paragraph shall apply to any pension, retirement or retired pay, annuity, or other similar periodic payment only if—

(i) such pension, retirement or retired pay, annuity, or similar payment is under a plan maintained (or contributed to) by a base period employer or chargeable employer (as determined under applicable law), and

(ii) in the case of such a payment not made under the Social Security Act or the Railroad Retirement Act of 1974 (or the corresponding provisions of prior law), services performed for such employer by the individual after the beginning of the base period (or remuneration for such services) affect eligibility for, or increase the amount of, such pension, retirement or retired pay, annuity, or similar payment, and

(B) the State law many provide for limitations on the amount of any such a reduction to take into account contributions made by the individual for the pension, retirement or retired pay, annuity, or other similar periodic payment;

[(16)**]** *(15)*(A) wage information contained in the records of the agency administering the State law which is necessary (as determined by the Secretary of Health, Education, and Welfare in regulations) for purposes of determining an individual's eligibility for aid or services, or the amount of such aid or services, under a State plan for aid and services to needy families with children approved under part A of title IV of the Social Security Act, shall be made available to a State or political subdivision thereof when such information is specifically requested by such State or political subdivision for such purposes, and

(B) such safeguards are established as are necessary (as determined by the Secretary of Health, Education, and Welfare in regulations) to insure that such information is used only for the purposes authorized under subparagraph (A);

[(17)**]** *(16)* any interest required to be paid on advances under title XII of the Social Security Act shall be paid in a timely manner and shall not be paid, directly or indirectly (by an equivalent reduction in State unemployment taxes or otherwise) by such State from amounts in such State's unemployment fund; and

(17) no finding of fact or law, judgment, conclusion, or final order made with respect to a claim for unemployment compensation benefits pursuant to the State's unemployment compensation law may be conclusive or binding or used as evidence in any separate or subsequent action or proceeding in another forum, except proceedings under the State's unemployment compensation law, regardless of whether the prior action was between the same or related parties or involved the same facts; and

(18) all the rights, privileges, or immunities conferred by such law or by acts done pursuant thereto shall exist subject to

the power of the legislature to amend or repeal such law at any time.

* * * * * * *

(c) On October 31 of each taxable year the Secretary of Labor shall certify to the Secretary of the Treasury each State whose law he has previously approved, except that he shall not certify any State which, after reasonable notice and opportunity for hearing to the State agency, the Secretary of Labor finds has amended its law so that it no longer contains the provisions specified in subsection (a) or has with respect to the 12-month period ending on such October 31 failed to comply substantially with any such provision in such subsection. No finding of a failure to comply substantially with any provision in paragraph (5) of subsection (a) shall be based on an application or interpretation of State law (1) until all administrative review provided for under the laws of the State has been exhausted, or (2) with respect to which the time for judicial review provided by the laws of the State has not expired, or (3) with respect to which any judicial review is pending. On October 31 of any taxable year, the Secretary of Labor shall not certify any State which, after reasonable notice and opportunity for hearing to the State agency, the Secretary of Labor finds has failed to amend its law so that it contains each of the provisions required by law to be included therein [(including provisions relating to the Federal-State Extended Unemployment Compensation Act of 1970 (or any amendments thereto) as required under subsection (a)(11))], or has, with respect to the twelve-month period ending on such October 31, failed to comply substantially with any such provision.

* * * * * * *

SOCIAL SECURITY ACT

* * * * * * *

TITLE IX—MISCELLANEOUS PROVISIONS RELATING TO EMPLOYMENT SECURITY

* * * * * * *

EMPLOYMENT SECURITY ADMINISTRATION ACCOUNT

Establishment of Account

SEC. 901. (a) * * *

Appropriations to Account

(b)(1) There is hereby appropriated to the Unemployment Trust Fund for credit to the employment security administration account, out of any moneys in the Treasury not otherwise appropriated, for the fiscal year ending June 30, 1961, and for each fiscal year thereafter, [an amount equal to 100 per centum of the tax (including interest, penalties, and additions to the tax) received during the fiscal year under the Federal Unemployment Tax Act and covered into the Treasury.] *an amount equal to—*

(A) 100 percent of the tax (including interest, penalties, and additions to the tax) received during the fiscal year under the Federal Unemployment Tax Act (26 U.S.C. 3301 et seq.) and covered into the Treasury, plus

(B) the aggregate increase in tax liabilities under chapter 1 of the Internal Revenue Code of 1986 which is attributable to the application of section 85 of such Code (relating to taxation of unemployment compensation).

(2) The amount appropriated by paragraph (1) shall be transferred at least monthly from the general fund of the Treasury to the Unemployment Trust Fund and credited to the employment security administration account. Each such transfer shall be based on estimates made by the Secretary of the Treasury of the amounts received in the Treasury *(or, in the amount referred to in paragraph (1)(B), of the amount of unemployment compensation paid during the month)*. Proper adjustments shall be made in the amounts subsequently transferred, to the extent prior estimates (including estimates for the fiscal year ending June 30, 1960) were in excess of or were less than the amounts required to be transferred.

* * * * * * *

Administrative Expenditures

(c)(1) * * *

* * * * * * *

(3)(A) For purposes of paragraph (1)(A), the limitation on the amount authorized to be made available for any fiscal year after June 30, 1970, is, except as provided in subparagraph (B) and in the second sentence of section 901(f)(3)(A), an amount equal to 95 percent of the amount estimated and set forth in the budget of the United States Government for such fiscal year as the amount by which the net receipts during such year under the Federal Unemployment Tax Act will exceed the amount transferred under section 905(b) during such year to the [extended unemployment compensation account] *supplemental compensation account.*

* * * * * * *

Determination of Excess and Amount To Be Retained in Employment Security Administration Account

(f)(1) * * *

(2)[(A) Except as provided in subparagraph (B), the] *The* excess in the employment security administration account as of the close of any fiscal year is the amount by which the net balance in such account as of such time (after the application of section 902[(b)] *(c)* and section 901(f)(3)(C)) exceeds the net balance in the employment security administration account as of the beginning of that fiscal year (including the fiscal year for which the excess is being computed) for which the net balance was higher than as of the beginning of any other such fiscal year.

[(B) With respect to the fiscal years ending June 30, 1970, June 30, 1971, and June 30, 1972, the balance in the employment security administration account at the close of each such fiscal year shall not be considered excess but shall be retained in the account for use as provided in paragraph (1) of subsection (c).]

(3)(A) The excess determined as provided in paragraph (2) as of the close of any fiscal year after June 30, 1972, shall be retained (as of the beginning of the succeeding fiscal year) in the employment security administration account until the amount in such account is equal to 40 percent of the amount of the total appropriation by the Congress out of the employment security administration account for the fiscal year for which the excess is determined. Three-eighths of the amount in the employment security administration account as the beginning of any fiscal year after June 30, 1972, or $150 million, whichever is the lesser, is authorized to be made available for such fiscal year pursuant to subsection (c)(1) for additional costs of administration due to an increase in the rate of insured unemployment for a calendar quarter of at least 15 percent over the rate of insured unemployment for the corresponding calendar quarter in the immediately preceding year.

(B) If the entire amount of the excess determined as provided in paragraph (2) as of the close of any fiscal year after June 30, 1972, is not retained in the employment security administration account, there shall be transferred (as of the beginning of the succeeding fiscal year) to the [extended unemployment compensation account] *supplemental compensation account* the balance of such excess or so much thereof as is required to increase the amount in the [extended unemployment compensation account] *supplemental compensation account* to the limit provided in section 905(b)(2).

(C) If as of the close of any fiscal year after June 30, 1972, the amount in the [extended unemployment compensation account] *supplemental compensation account* exceeds the limit provided in section 905(b)(2), such excess shall be transferred to the employment security administration account as of the close of such fiscal year.

* * * * * * *

[Transfers for Calendar Years 1988, 1989, and 1990

[(g)(1) With respect to calendar years 1988, 1989, and 1990, the Secretary of the Treasury shall transfer from the employment security administration account—

[(A) to the Federal unemployment account an amount equal to 50 percent of the amount of tax received under section 3301(1) of the Federal Unemployment Tax Act which is attributable to the difference in the tax rates between paragraphs (1) and (2) of such section; and

[(B) to the extended unemployment compensation account an amount equal to 50 percent of such amount of tax received.

[(2) Transfers under this subsection shall be as of the beginning of the month succeeding the month in which the moneys were credited to the employment security administration account pursuant to subsection (b)(2) with respect to wages paid during such calendar years.]

TRANSFERS TO FEDERAL UNEMPLOYMENT ACCOUNT AND REPORT TO CONGRESS

TRANSFERS TO FEDERAL UNEMPLOYMENT ACCOUNT

SEC. 902. *(a)(1) Except as provided in paragraph (2), the Secretary of the Treasury shall transfer (as of the close of October 1992 and each month thereafter), from the employment security administration account to the Federal unemployment account, an amount determined by the Secretary to be equal to 10 percent of the amount by which—*

(A) transfers to the employment security administration account pursuant to section 901(b)(2) during such month, exceed

(B) payments during such month from the employment security administration account pursuant to subsections (b)(3) and (d) of section 901.

If for any such month the payments referred to in subparagraph (B) exceed the transfers referred to in subparagraph (A), proper adjustments shall be made in the amounts subsequently transferred.

(2) The Secretary of the Treasury shall make no transfer pursuant to paragraph (1) as of the close of any month if the Secretary determines that the amount in the Federal unemployment account is equal to (or in excess of) the limitation provided in subsection (b).

[(a)**]** *(b)* Whenever the Secretary of the Treasury determines pursuant to section 901(f) that there is an excess in the employment security administration account as of the close of any fiscal year and the entire amount of such excess is not retained in the employment security administration account or transferred to the **[**extended unemployment compensation account**]** *supplemental compensation account* as provided in section 901(f)(3), there shall be transferred (as of the beginning of the succeeding fiscal year) to the Federal unemployment account the balance of such excess or so much thereof as is required to increase the amount in the Federal unemployment account to whichever of the following is the greater:

(1) $550 million, or

(2) the amount (determined by the Secretary of Labor and certified by him to the Secretary of the Treasury) equal to **[**five-eighths of 1 percent**]** *0.375 percent* of the total wages subject (determined without any limitation on amount) to contributions under all State unemployment compensation laws for the calendar year ending during the fiscal year for which the excess is determined.

Transfers to Employment Security Administration Account

[(b)**]** *(c)* The amount, if any, by which the amount in the Federal unemployment account as of the close of any fiscal year exceeds the greater of the amounts specified in paragraphs (1) and (2) of subsection **[**(a)**]** *(b)* shall be transferred to the employment security administration account as of the close of such fiscal year.

REPORT TO THE CONGRESS

[(c)**]** *(d)* Whenever the Secretary of Labor has reason to believe that in the next fiscal year the employment security administration account will reach the limit provided for such account in section 901(f)(3)(A), and the Federal unemployment account will reach the limit provided for such account in [section 902(a)] *subsection (b) of this section*, and the [extended unemployment compensation account] *supplemental compensation account* will reach the limit provided for such account in section 905(b)(2), he shall, after consultation with the Secretary of the Treasury, so report to the Congress with a recommendation for appropriate action by the Congress.

AMOUNTS TRANSFERRED TO STATE ACCOUNTS

In General

SEC. 903. (a)(1) If as of the close of any fiscal year after the fiscal year ending June 30, 1972, the amount in the [extended unemployment compensation account] *supplemental compensation account* has reached the limit provided in section 905(b)(2) and the amount in the Federal unemployment account has reached the limit provided in section 902[(a)] *(b)* and all advances and interest pursuant to section 905(d) and section 1203 have been repaid, and there remains in the employment security administration account any amount over the amount provided in section 901(f)(3)(A), such excess amount, except as provided in subsection (b), shall be transferred (as of the beginning of the succeeding fiscal year) to the accounts of the States in the Unemployment Trust Fund.

* * * * * * *

UNEMPLOYMENT TRUST FUND

Establishment, etc.

SEC. 904. (a) * * *

* * * * * * *

Increase in Quarterly Credits for States With Adequate Balances

(h)(1) If a State's high-cost multiple exceeds 0.5 for any calendar quarter, the Secretary of the Treasury shall transfer (as of the close of the succeeding calendar quarter) from the general fund of the Treasury to the account of such State in the Unemployment Trust Fund an amount equal to the applicable percentage of the portion of the earnings of the Fund which are credited under subsection (e) to such account as of the close of such succeeding calendar quarter.

(2) For purposes of paragraph (1)—

If the State's high-cost multiple:	*The applicable percentage is:*
Exceeds 0.5 but does not exceed 1.0	*5 percent*
Exceeds 1.0 but does not exceed 1.5	*10 percent*
Exceeds 1.5	*15 percent.*

(3)(A) For purposes of this subsection, the high-cost multiple of any State for any calendar quarter is the amount obtained by dividing the fraction set forth in subparagraph (B) by the fraction set forth in subparagraph (C). Such multiple shall be determined by the Secretary of Labor and certified by such Secretary to the Secretary of the Treasury before the close of the calendar quarter following the quarter for which the multiple is being determined.

(B) For purposes of subparagraph (A), the fraction set forth in this subparagraph with respect to any State for any calendar quarter is a fraction—

(i) the numerator of which is the account balance of the State as of the close of the quarter determined after any reduction provided in subsection (e) and by taking into account any transfer under this subsection as of the close of such quarter, and

(ii) the denominator of which is the total amount of wages (determined without regard to any limitation on amount) subject to contributions under the State unemployment compensation law for the most recent 4 calendar quarters for which data are available.

(C) for purposes of subparagraph (A), the fraction set forth in this subparagraph with respect to any State for any calendar quarter is the following fraction determined for the preceding calendar year for which such fraction is the highest for the State: A fraction—

(i) the numerator of which is the total amount of compensation paid under the State law during the calendar year, and

(ii) the the denominator of which is the total amount of wages (determined with regard to any limitation on amount) subject to contributions under the State unemployment compensation law for the calendar year.

[EXTENDED UNEMPLOYMENT COMPENSATION ACCOUNT]
SUPPLEMENTAL COMPENSATION ACCOUNT

ESTABLISHMENT OF ACCOUNT

SEC. 905. (a) There is hereby established in the Unemployment Trust Fund an [extended unemployment compensation account] *supplemental compensation account*. For the purposes provided for in section 904(e), such account shall be maintained as a separate book account.

TRANSFERS TO ACCOUNT

(b)(1) Except as provided by paragraph (3), the Secretary of the Treasury shall transfer (as of the close of July 1970, and each month thereafter), from the employment security administration account to the [extended unemployment compensation account] *supplemental compensation account* established by subsection (a), an amount determined by him to be equal[, in the case of any month before April 1972, to one-fifth, and in the case of any month after March 1972, to one-tenth,] *to 10 percent* of the amount by which—

(A) transfers to the employment security administration account pursuant to section 901(b)(2) during such month, exceed

(B) payments during such month from the employment security administration account pursuant to section 901(b)(3) and (d).

If for any such month the payments referred to in subparagraph (B) exceed the transfers referred to in subparagraph (a), proper adjustments shall be made in the amounts subsequently transferred.

(2) Whenever the Secretary of the Treasury determines pursuant to section 901(f) that there is an excess in the employment security

administration account as of the close of any fiscal year beginning after June 30, 1972, there shall be transferred (as of the beginning of the succeeding fiscal year) to the [extended unemployment compensation account] *supplemental compensation account* the total amount of such excess or so much thereof as is required to increase the amount in the [extended unemployment compensation account] *supplemental compensation account* to whichever of the following is the greater:

(A) $750,000,000, or

(B) the amount (determined by the Secretary of Labor and certified by him to the Secretary of the Treasury) equal to [three-eighths of 1 percent] *0.625 percent* of the total wages subject (determined without any limitation on amount) to contributions under all State unemployment compensation laws for the calendar year ending during the fiscal year for which the excess is determined.

(3) The Secretary of the Treasury shall make no transfer pursuant to paragraph (1) as of the close of any month if he determines that the amount in the [extended unemployment compensation account] *supplemental compensation account* is equal to (or in excess of) the limitation provided in paragraph (2).

TRANSFERS TO STATE ACCOUNTS

(c) Amounts in the [extended unemployment compensation account] *supplemental compensation account* shall be available for transfer to the accounts of the States in the Unemployment Trust Fund as provided in [section 204(e) of the Federal-State Extended Unemployment Compensation Act of 1970] *section 104(d) of the Unemployment Insurance Reform Act of 1991.*

ADVANCES TO [EXTENDED UNEMPLOYMENT COMPENSATION ACCOUNT] *SUPPLEMENTAL COMPENSATION ACCOUNT* AND REPAYMENT

(d) There are hereby authorized to be appropriated, without fiscal year limitation, to the [extended unemployment compensation account] *supplemental compensation account*, as repayable advances, such sums as may be necessary to carry out the purposes of [the Federal-State Extended Unemployment Compensation Act of 1970] *Subtitle A of title I of the Unemployment Insurance Reform Act of 1991.* Amounts appropriated as repayable advances shall be repaid by transfers from the [extended unemployment compensation account] *supplemental compensation account* to the general fund of the Treasury, at such times as the amount in the [extended unemployment compensation account] *supplemental compensation account* is determined by the Secretary of the Treasury, in consultation with the Secretary of Labor, to be adequate for such purpose. Repayments under the preceding sentence shall be made whenever the Secretary of the Treasury (after consultation with the Secretary of Labor) determines that the amount then in the account exceeds the amount necessary to meet the anticipated payments from the account during the next 3 months. Any amount transferred as a repayment under this subsection shall be credited against, and shall operate to reduce, any balance of advances repayable under this subsection. Amounts appropriated as repayable advances for purposes of this subsection shall bear interest at a rate equal to the average rate of interest, computed as of the end of the calendar month next preceding the date of such advance, borne by all interest bearing obligations of the United States then forming part of the public debt; except that in cases in which such average rate is not a multiple of one-eight of 1 percent, the rate of interest shall be the multiple of one-eight of 1 percent next lower than such average rate.

* * * * * * *

[FEDERAL ADVISORY COUNCIL

[SEC. 908. (a) The Secretary of Labor shall establish a Federal Advisory Council, of not to exceed 16 members including the chairman, for the purpose of reviewing the Federal-State program of unemployment compensation and making recommendations to him for improvement of the system.

[(d) The Council shall be appointed by the Secretary without regard to the civil service laws and shall consist of men and women who shall be respresentatives of employers and employees in equal numbers, and the public.

[(c) The Secretary may make available to the Council an Executive Secretary and secretarial, clerical, and other assistance, and such pertinent data prepared by the Department of Labor, as it may require to carry out its functions.

[(d) Members of the Council shall, while serving on business of the Council, be entitled to receive compensation at rates fixed by the Secretary, but not exceeding $100 per day, including travel time; and while so serving away from their homes or regular places of business, they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by 5 U.S.C. 5703 for persons in government service employed intermittently.

[(e) The Secretary shall encourage the organization of similar State advisory councils.

[(f) There are hereby authorized to be appropriated for the fiscal year ending June 30, 1972, and for each fiscal year thereafter such sums, not to exceed $100,000, as may be necessary to carry out the purposes of this section.]

ADVISORY COUNCIL ON UNEMPLOYMENT COMPENSATION

SEC. 908. (a) ESTABLISHMENT.—Not later than December 31 of 1991 (and of every 5th year thereafter), the Secretary of Labor shall establish an advisory council to be known as the Advisory Council on Unemployment Compensation (referred to in this section as the "Council").

(b) FUNCTION.—It shall be the function of each Council to evaluate the unemployment compensation program, including the countercyclical effectiveness, benefit adequacy, solvency, and administrative efficiency of the program.

(c) MEMBERS.—

(1) IN GENERAL.—Each Council shall consist of 17 members as follows:

(A) the Secretary of Labor, who shall be the chairperson.

(B) 8 members appointed by the President.

(C) 8 members appointed by the Congress.

(2) QUALIFICATIONS.—Of the members appointed under subparagraph (B) or (C)—

(A) 1/4 shall be Members of the Congress,

(B) 1/4 shall be representative of the interests of business,

(C) 1/4 shall be representative of the interests of labor, and

(D) 1/4 shall be representative of the interests of State governments.

(3) VACANCIES.—A vacancy in any Council shall be filled in the manner in which the original appointment was made.

(d) STAFF AND OTHER ASSISTANCE.—

(1) IN GENERAL.—Each Council may engage any technical assistance (including actuarial services) required by the Council to carry out its functions under this section.

(2) ASSISTANCE FROM SECRETARY OF LABOR.—The Secretary of Labor may provide each Council with any staff, office facilities, and other assistance, and any data prepared by the Department of Labor, required by the Council to carry out its functions under this section.

(e) COMPENSATION.—Each member of any Council—

(1) shall be entitled to receive compensation at rates fixed by the Secretary of Labor (but not exceeding $100) for each day (including travel time) during which such member is engaged in the actual performance of duties vested in the Council, and

(2) while engaged in the performance of such duties away from such member's home or regular place of business, may be allowed travel expenses (including per diem in lieu of subsistence) as authorized by section 5703 of title 5, United States Code, for persons in the Government employed intermittently.

(f) REPORT.—Not later than October 1 of the year following the year in which any Council is required to be established under subsection (a), the Council shall submit to the Congress a report setting forth the findings and recommendations of the Council as a result of its evaluation of the unemployment compensation program under this section.

(g) TERMINATION.—Each Council shall cease to exist after the date on which the Council submits its report under subsection (f).

* * * * * * *

BORROWING BETWEEN FEDERAL ACCOUNTS

SEC. 910. (a) IN GENERAL.—Whenever the Secretary of the Treasury (after consultation with the Secretary of Labor) determines that—

(1) the amount in the employment security administration account, Federal unemployment account, or supplemental compensation account, is insufficient to meet the anticipated payments from the account during the next 3 months,

(2) such insufficiency may cause such account to borrow from the general fund of the Treasury, and

(3) the amount in any other such account exceeds the amount necessary to meet the anticipated payments from such other account during the next 3 months,

the Secretary shall transfer to the account referred to in paragraph (1) from the account referred to paragraph (3) an amount equal to the insufficiency determined under paragraph (1), (or, if less, the excess determined under paragraph (3)).

(b) TREATMENT OF ADVANCE.—Any amount transferred under subsection (a)—

(1) shall be treated as a noninterest-bearing repayable advance, and

(2) shall not be considered in computing the amount in any account for purposes of the application of sections 901(f)(2), 902(c), and 905(b).

(c) REPAYMENT.—Whenever the Secretary of the Treasury (after consultation with the Secretary of Labor) determines that the amount in the account to which an advance is made under subsection (a) exceeds the amount necessary to meet the anticipated payments from the account during the next 3 months, the Secretary shall transfer from the account to the account from which the advance was made an amount equal to the amount so advanced.

* * * * * * *

TITLE XII—ADVANCES TO STATE UNEMPLOYMENT FUNDS

* * * * * * *

ADVANCES TO FEDERAL UNEMPLOYMENT ACCOUNT

SEC. 1203. There are hereby authorized to be appropriated to the Federal unemployment account, as repayable advances, such sums as may be necessary to carry out the purposes of this title. Amounts appropriated as repayable advances shall be repaid by transfers from the Federal unemployment account to the general fund of the Treasury, at such times as the amount in the Federal unemployment account is determined by the Secretary of the Treasury, in consultation with the Secretary of Labor, to be adequate for such purpose. Any amount transferred as a repayment udner this section shall be credited against, and shall operate to reduce, any balance of advances repayable under this section. Whenever, after the application of sections 901(f)(3) and 902[(a)] *(b)* with respect to the excess in the employment security administration account as of the close of any fiscal year, there remains any portion of such excess, so much of such remainder as does not exceed the balance of advances made pursuant to this section shall be transferred to the general fund of the Treasury and shall be credited against, and shall operate to reduce, such balance of advances. Amounts appropriated as repayable advances for purposes of this subsection shall bear interest at a rate equal to the average rate of interest, comptued as of the end of the calendar month next preceding the date of such advance, borne by all interest bearing obligations of the United States then forming part of the public debt; except that in cases in which such average rate is not a multiple of one-eighth of 1 percent, the rate of interest shall be the multiple of one-eighth of 1 percent next lower than such average rate.

* * * * * * *

SECTION 8521 OF TITLE 5, UNITED STATES CODE

§ 8521. Definitions; application

(a) For the purpose of this subchapter—

(1) "Federal service" means active service (not including active duty in a reserve status unless for a continuous period of [180] *90* days or more) in the armed forces or the Commissioned Corps of the National Oceanic and Atmospheric Administration if with respect to that service—

(A) * * *

* * * * * * *

[(c)(1) An individual shall not be entitled to compensation under this subchapter for any week before the fifth week beginning after the week in which the individual was discharged or released.

[(2) The aggregate amount of compensation payable on the basis of Federal service (as defined in subsction (a)) to any individual with respect to any benefit year shall not exceed 13 times the individual's weekly benefit amount for total unemployment.]

VI. MINORITY VIEWS

The Majority's justification for this legislation is that the nation is afflicted by an unemployment level which compels the federal government to take emergency action to completely restructure the extended benefits program and provide additional unemployment benefits to workers who have exhausted their 26 weeks of regular benefits.

There is historical precedent for emergency action of this type. In previous recessions, Congress has frequently expanded benefits to grant additional weeks of coverage to workers having difficulty finding new jobs. The last time Congress enacted an emergency unemployment expansion was in September, 1982. In that month, unemployment stood at 10.1 percent. Moreover, unemployment had exceeded 7 percent for the previous 31 months, during which time the average level of unemployment was nearly 8 percent.

How does the 1982 emergency compare with today's situation? As the Majority now declares an unemployment emergency in August of 1991, the nation's unemployment rate stands at 6.8 percent and has equalled or exceeded 7 percent in only one month. The average level of unemployment in the preceding 31 months has been 5.8 percent.

Another interesting comparison between the current recession and previous recessions is the increase in the average duration of unemployment. The duration of unemployment always increases during recessions because jobs become harder to find. In the current recession, the average duration of unemployment has gone from 12.0 weeks at the end of 1990 to 14.2 weeks in June of 1991, an increase of 2.2 weeks. By comparison, during the 1981–82 recession, duration of unemployment jumped from 13.7 to 18.1 weeks, a leap of 4.4 weeks. During the 1975 recession, duration of unemployment jumped from 9.4 to 12.9 weeks, an increase of 2.9 weeks. As measured by increased duration of unemployment, then, the current recession is mild by comparison.

To further illustrate the difference between this and previous recessions, consider that in the 1982 recession it was not until more than 3 years after Congress enacted emergency legislation that unemployment returned to 7.0 percent. Whether the Majority is correct in declaring an emergency is further clarified by recalling that when Congress ended emergency benefits after the 1982 recession, the unemployment rate stood at 7.2 percent—0.4 percent above the level at which we are now asked to begin emergency benefits.

A second justification for this legislation is the claim that the current system of unemployment benefits is ineffective. One important piece of evidence by which we should judge the effectiveness of the nation's unemployment system is whether benefits expand during a recession. Last year, 8.1 million workers received $16.8 billion of dollars worth of benefits; this year 10.7 million workers will receive $24.3 worth of benefits. The system, in other words, functioned according to plan: as unemployment increased by about 20 percent, the number of beneficiaries increased by about 30 percent and total payments increased by well over 40 percent.

In addition, this year nine states qualified for the Extended Benefits program which provides 13 weeks of additional benefits beyond the 26 weeks provided by the regular program; only four states qualified for additional benefits last year. Further, over 160,000 workers will receive Extended Benefits this year, a fourfold increase from last year.

The Majority holds that these increases are not enough and that more workers should qualify for more benefits. But the fact that more workers have not qualified is a sign of the relatively mild nature of this recession as compared with past recessions, not a sign that the unemployment system is broken.

If the Majority's two major justifications for enacting this legislation are weak, there are compelling reasons for actively opposing the bill. Although the bill does not raise taxes, it will nonetheless require increased taxes in the future. The emergency procedures outlined in the Budget Act allow Congress to pretend that money is not being spent, but every dollar nonetheless shows up in the deficit. Like all deficits, this bill, too, will come due one day.

Equally important, the Majority's plan is to spend down the federal unemployment trust funds. This is the same Majority that for the past three years has asked the Ways and Means Committee to report out legislation requiring states to increase the balances in their trust accounts. The reason? To insure that ample funds are available to pay for increased benefits in time of recession. Does it make sense to argue that state trust funds should be increased while simultaneously urging the Congress to deplete federal trust funds?

Another good reason to oppose this bill is that it makes little sense to enact benefit expansions just as we are coming out of a recession. Based upon a wide range of economic indicators, the economy appears to have bottomed and recovery seems to be underway. Just released GNP figures support this.

After two quarters of decline, real GNP rose by 0.4 percent in the second quarter of this year. Similarly, the Commerce Department recently reported that June was the fifth consecutive month in which the nation's leading economic indicators climbed.

Unemployment rates typically peak a few months after the economy bottoms, so we may now be near, or have even passed, peak unemployment. This seems especially likely because initial applications for Unemployment Insurance claims, though still fluctuating, are now about 20 percent below their peak of 543,000 in March of this year.

None of this is to suggest that our economic problems are over, nor that the difficulties faced by the unemployed are not serious. It is not impossible that, despite the temporary upswing in economic indicators, the economy could suddenly turn worse.

Five of the eight post-war recessions have followed this "double-dip" pattern. If the economy does decline and unemployment deepens, the Congress should, as in the past, consider expanding benefits at that time. Enacting this legislation at the end of the current mild recession would seriously weaken the Unemployment Insurance program's ability to respond to a deep recession.

RESTRICTIONS ON STATES

We object to several provisions in this bill restricting the ability of states to limit the eligibility of certain workers, particularly those who leave employment without cause. Without commenting on the propriety of any of the specific eligibility rules restricted by this bill, we believe it unwise for the Federal government to tell states how they should operate their eligibility systems for unemployment insurance.

These restrictions on states are intended to reverse a trend that has developed over the past decade in which the percentage of workers covered by unemployment insurance has declined. Proponents of the bill believe that the principal reason for this decline was actions taken by many states during the recession of the early 1980's to restrict eligibility. However, the Human Resources Subcommittee heard testimony from a number of researchers who attributed the decline primarily to demographic changes in the workforce and to changes in the American economy.

It is not the case that people are being dumped from the unemployment insurance ranks. Benefits are now being paid to the unemployed workers for whom the system was designed: those with a history of labor force attachment who lose their jobs through no fault of their own. It is important to know that 76 percent of job losers now receive unemployment benefits. Thanks to tremendous job growth in the 1980's, people entering the workforce include many young workers and others who tend not to have substantial attachments to the workforce. About 40 percent of those not receiving benefits, for example, are teenagers and young adults still living with their parents.

We do not disagree that states moved to restrict eligibility requirements in the early 1980's. Yet, if states felt a need to restrict eligibility so as to provide a more sound system of protection for workers, we do not believe the federal government should interfere with their autonomy to establish their own system of eligibility. After all, states operate their own programs, set their own benefit levels, and assess their own taxes to finance the benefits. State autonomy of this sort is appropriate since it allows states with different economies, types of workers, tax structures, and business climates to craft a tax and benefit system that best fits their needs.

PREMIUM INTEREST RATES

Finally, we object to provisions in the bill that provide premium interest rates on state trust fund balances for those states that maintain relatively high balances in their accounts. We believe it would be both unfair and unwise to reward or penalize states for the way they operate their respective unemployment insurance systems.

First, it is important to keep in mind that if a state trust fund account goes broke, benefits are never threatened. States may borrow from the Federal trust fund. Thus, a state with a low trust fund balance does not present a risk to workers.

Second, this provision would reward states for maintaining high tax rates that keep their trust fund levels up. For the same reasons we oppose Federal restrictions on eligibility requirements, we believe states should be allowed to set whatever tax and trust fund levels that best serve their particular circumstances. In addition, the high-cost multiple measure used in this bill for triggering the premium rates is, essentially, an arbitrary measure of solvency that measures a state's past experience. As the history of the unemployment system shows, the past does not always tell us what to expect in the future.

It seems particularly ironic to pay states for maintaining high trust fund balances with money obtained by depleting the Federal extended benefits trust fund.

VIOLATIONS OF THE BUDGET AGREEMENT

There is widespread agreement in the nation that the most important issue before Congress has been and continues to be the federal budget deficit. The most recent in a long line of attempts to reduce the deficit is last year's Budget Enforcement Act, enacted after one of the most bitter and divisive legislative struggles in recent history.

The fundamental problem addressed by the Budget Act, as well as by the earlier Gramm-Rudman-Hollings law, is how to control federal spending. After four decades of unrelenting growth in federal spending and taxes, most Members of Congress came to realize that the desire to spend would always exceed the political ability to tax. From this realization it was a short step to concluding that Congress, lacking discipline and will, had to figure out some device by which it could automatically control its urge to spend.

Under Gramm-Rudman-Hollings that device was sequestration. Though the Budget Act retained sequestration as one of its control devices, the major new devices for controlling the deficits are spending caps for military, domestic discretionary, and foreign discretionary programs and the so-called "pay-go" requirement that any expansions of entitlement programs must be completely paid for by tax increases or cuts in other entitlement programs.

As it now turns out, the Budget Act's attempt to put Congress on automatic pilot contained a potential seed of self-destruction. Reasoning that war, pestilence, depression, and similar calamities might require spending above the forecasted amounts, Congress inserted a provision that if the President and Congress agreed that an "emergency" was at hand, new money could be spent without counting it against the caps or the pay-go requirement.

But what is an emergency? The Majority is arguing that the President and Congress have declared a host of emergencies already. Reference is then made to all manner of disasters all over the world. In fact, however, Congress and the Administration have used the emergency clause of the Budget Act to exempt a total of only $1 billion from Budget Act provisions. This money has been used for three purposes:

(1) $236 million for disaster assistance to Kurds and others affected by Desert Storm;

(2) $59 million to protect and evacuate Americans from the Persian Gulf region;

(3) $850 million for Israel and Turkey to help them defray costs incurred in supporting the U.S. in Iraq.

None of the other "emergencies cited by Democrats were paid for by exemptions from the Budget Act; they were paid for by emergency funds set aside for such purposes by various domestic and foreign aid programs and they still counted against the budget spending totals.

In our view, Congress and the Administration must be extremely responsible and use the emergency escape valve to violate spending caps only in the most dire emergencies. Our current unemployment situation, though serious, has not risen to a level which justifies the complete restructuring of the extended benefits program contained in this bill.

This bill violates last year's Budget Enforcement Act in three important ways. First, it proposes mandatory entitlement expansions totaling nearly $6.5 billion over the next 6 years, none of which is offset by increased revenues or reductions in other outlays. This is a straightforward and substantial breach of last year's budget agreement—unless there is an emergency. As we have argued at length above, we do not think an emergency exists—and it is instructive to note that a majority of Committee members apparently did not see the problem to be sufficiency severe to justify raising taxes to pay for the new spending called for in this legislation.

Perhaps the most important principle agreed upon in last year's budget deal with that future program expansions should only be made if Congress is willing to pay for them. The will to raise the necessary taxes for these benefits does not exist in Congress at this time—hence the attempt to force the President to declare an emergency. If we are true to the letter and spirit of the Budget Act, we will not enact this legislation.

The second violation of the Budget Act is the provision that the Congressional Budget Office will serve as the official scorekeeper. Under the budget agreement, only estimates by the Office of Management and Budget were to be used in determining pay-go violations and sequester levels.

These two breaches are so fundamental that they may very well kill the Budget Enforcement Act. If so, the ability of Congress to control spending and reduce the deficit will be crippled. Then we will have a real emergency.

Third, to force the President's hand on declaring an emergency, the majority has come up with a new and clever strategy. This bill is written so that enactment of the bill would be deemed to invoke the emergency clause of the Budget Act and none of the spending would be subject to the pay-go rules. Even if the President of the United States vetoes this bill, and that veto is overridden, the emergency clause would be triggered, a permanent new entitlement would be created, and billions of more dollars would be spent without anybody paying for it.

This is surely not the way the emergency provisions were intended, and constitute the third violates the Budget Agreement. The intent was that the Congress and the President must agree that new spending be treated as an emergency. Under this bill, the

President could be strongly opposed to declaring an emergency, yet be unable to exercise his power guaranteed under the Budget Act to disagree with a Congressional declaration of an emergency.

What we had in mind for the emergency provision is spending that was unforeseen, viewed by both the President and Congress as desperately needed, and does not pose serious long-term threats to the deficit reduction goals of the agreement. The spending in this bill has been proposed for years, is highly controversial, and is precisely the kind of spending that, if treated as an emergency, could unravel the budget.

Bill Archer.
Phil Crane.
Richard T. Schulze.
Bill Gradison.
William Thomas.
Rod Chandler.
E. Clay Shaw, Jr.
Don Sundquist.
Jim Bunning.
Fred Grandy.

○